

Semiannual Report

December 31, 2013

Equity Funds

Waddell & Reed Advisors Accumulative Fund
Waddell & Reed Advisors Asset Strategy Fund
Waddell & Reed Advisors Continental Income Fund
Waddell & Reed Advisors Core Investment Fund
Waddell & Reed Advisors Dividend Opportunities Fund
Waddell & Reed Advisors Energy Fund
Waddell & Reed Advisors International Growth Fund
Waddell & Reed Advisors New Concepts Fund
Waddell & Reed Advisors Science and Technology Fund
Waddell & Reed Advisors Small Cap Fund
Waddell & Reed Advisors Tax-Managed Equity Fund
Waddell & Reed Advisors Value Fund
Waddell & Reed Advisors Vanguard Fund



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This report is submitted for the general information of the shareholders of Waddell & Reed Advisors Funds. It is not authorized for distribution to prospective investors in the Funds unless preceded or accompanied by a current Waddell & Reed Advisors Funds prospectus, or summary prospectus, and current performance information, including current Lipper ranking information.



Henry J. Herrmann, CFA

Dear Shareholder,

While economic and geopolitical concerns remain, over the past six months we've seen headwinds moderate on both fronts. Improving economic data, and an apparent break in Washington budget gridlock boosted confidence in the outlook, and the markets responded.

Equities were particularly strong performers over the past six months. The broad market indexes ended the period in record territory with the S&P 500 Index climbing 15% (including reinvested dividends) since June 30. Fixed income markets, meanwhile, were challenged amid political uncertainty and questions about the outlook for interest rates. The benchmark 10-year Treasury ended the period at 3.04%, up from 2.52% six months earlier, resulting in a negative return of 4.8%.

Given the uncertain environment that has become the norm in recent years, it is perhaps surprising to realize we are now at a point where some have begun to express concern about equity valuations. Although we believe any major concern about valuations is misguided, we also recognize there are challenges ahead. While we see a positive environment for equities, the process of interest rate normalization has begun and will continue to have an impact on markets. The implementation of the Affordable Care Act also has the potential to present challenges that we believe may influence both hiring and consumer spending. Internationally, headwinds continue to varying degrees in China, Japan and Europe, while tensions remain high in the Middle East. We will continue to closely monitor these events and others as the year unfolds with an eye on the risks, and opportunities, that they present.

Economic Snapshot

	12/31/2013	6/30/2013
S&P 500 Index	1,848.36	1,606.23
MSCI EAFE Index	1,915.60	1,638.94
10-Year Treasury Yield	3.04%	2.52%
U.S. unemployment rate	6.70%	7.60%
30-year fixed mortgage rate	4.54%	4.39%
Oil price per barrel	\$ 98.42	\$ 95.56

Sources: Bloomberg, U.S. Department of Labor, CME

All government statistics shown are subject to periodic revision. The S&P 500 Index is an unmanaged index that tracks the stocks of 500 primarily large-cap U.S. companies. MSCI EAFE Index is an unmanaged index comprised of securities that represent the securities markets in Europe, Australasia and the Far East. Citigroup Broad Investment Grade Index is an unmanaged index comprised of securities that represent the bond market. Annualized yield to maturity is the rate of return anticipated on a bond if it is held until the maturity date. It is not possible to invest directly in any of these indexes. Mortgage rates are from BankRate and reflect the overnight national average rate on a conventional 30-year fixed loan. Oil prices reflect the market price of West Texas intermediate grade crude.

As always, we thank you for your continued trust and partnership.

Respectfully,

Henry J. Herrmann, CFA
President

The opinions expressed in this letter are those of the President of the Waddell & Reed Advisors Funds and are current only through the end of the period of the report, as stated on the cover. The President's views are subject to change at any time, based on market and other conditions, and no forecasts can be guaranteed.

ILLUSTRATION OF FUND EXPENSES

Waddell & Reed Advisors Funds

(UNAUDITED)

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, exchange fees and account fees; and (2) ongoing costs, including management fees, distribution and service fees, and other Fund expenses. The following table is intended to help you understand your ongoing costs (in dollars) of investing in a Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended December 31, 2013.

Actual Expenses

The first section in the following table provides information about actual account values and actual expenses for each share class. You may use the information in this section, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, a \$7,500 account value divided by \$1,000 = 7.5), then multiply the result by the number in the first section under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. There may be additional fees charged to holders of certain accounts that are not included in the expenses shown in the table. These fees apply to Individual Retirement Accounts (IRAs), IRA Rollovers, Roth IRAs, Conversion Roth IRAs, Simplified Employee Pension (SEP), Simple IRAs, Tax-Sheltered Accounts (TSAs), Keogh Plans, Owner Only 401(k) (Exclusive K) Plans and Final Pay Plans. As of the close of the six months covered by the table, a customer is charged an annual fee of \$18 within each plan type. This fee is waived for IRA Rollovers and Conversion Roth IRAs if the customer owns another type of IRA. Coverdell Education Savings Account plans are charged an annual fee of \$10 per customer. With limited exceptions, for Class A and Class C shares, if your Fund account balance is below \$750 at the close of business on September 26, 2014, and on the Friday prior to the last

week of September each year thereafter, the account will be assessed an account fee of \$20. You should consider the additional fees that were charged to your Fund account over the six-month period when you estimate the total ongoing expenses paid over the period and the impact of these fees on your ending account value as such additional expenses are not reflected in the information provided in the following table. Additional fees have the effect of reducing investment returns.

Hypothetical Example for Comparison Purposes

The second section in the following table provides information about hypothetical account values and hypothetical expenses for each share class based on the Fund's actual expense ratio and an assumed rate of return of five percent per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this five percent hypothetical example with the five percent hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), exchange fees or account fees. Therefore, the second section in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

Expenses paid may be impacted by expense reduction arrangements. If those arrangements had not been in place, expenses paid would have been higher. See Note 7 to the Financial Statements for further information.

Fund	Actual ⁽¹⁾			Hypothetical ⁽²⁾			Annualized Expense Ratio Based on the Six-Month Period
	Beginning Account Value 6-30-13	Ending Account Value 12-31-13	Expenses Paid During Period*	Beginning Account Value 6-30-13	Ending Account Value 12-31-13	Expenses Paid During Period*	
Accumulative Fund							
Class A	\$1,000	\$1,190.90	\$ 6.13	\$1,000	\$1,019.59	\$ 5.65	1.11%
Class B	\$1,000	\$1,183.10	\$13.10	\$1,000	\$1,013.25	\$12.08	2.37%
Class C	\$1,000	\$1,184.10	\$11.47	\$1,000	\$1,014.66	\$10.58	2.09%
Class Y	\$1,000	\$1,191.60	\$ 4.71	\$1,000	\$1,020.87	\$ 4.34	0.86%
Asset Strategy Fund							
Class A	\$1,000	\$1,207.20	\$ 6.18	\$1,000	\$1,019.60	\$ 5.65	1.11%
Class B	\$1,000	\$1,201.30	\$11.56	\$1,000	\$1,014.66	\$10.58	2.09%
Class C	\$1,000	\$1,202.70	\$10.79	\$1,000	\$1,015.45	\$ 9.88	1.93%
Class Y	\$1,000	\$1,208.60	\$ 4.53	\$1,000	\$1,021.06	\$ 4.14	0.82%
Continental Income Fund							
Class A	\$1,000	\$1,134.40	\$ 6.30	\$1,000	\$1,019.31	\$ 5.96	1.17%
Class B	\$1,000	\$1,127.00	\$12.23	\$1,000	\$1,013.68	\$11.58	2.29%
Class C	\$1,000	\$1,130.60	\$10.76	\$1,000	\$1,015.07	\$10.18	2.01%
Class Y	\$1,000	\$1,135.90	\$ 4.81	\$1,000	\$1,020.74	\$ 4.55	0.89%

See footnotes on page 6.

ILLUSTRATION OF FUND EXPENSES

Waddell & Reed Advisors Funds

(UNAUDITED)

Fund	Actual ⁽¹⁾			Hypothetical ⁽²⁾			Annualized Expense Ratio Based on the Six-Month Period
	Beginning Account Value 6-30-13	Ending Account Value 12-31-13	Expenses Paid During Period*	Beginning Account Value 6-30-13	Ending Account Value 12-31-13	Expenses Paid During Period*	
Core Investment Fund							
Class A	\$1,000	\$1,196.60	\$ 5.82	\$1,000	\$1,019.91	\$ 5.35	1.05%
Class B	\$1,000	\$1,189.40	\$12.26	\$1,000	\$1,013.96	\$11.28	2.23%
Class C	\$1,000	\$1,188.80	\$10.94	\$1,000	\$1,015.18	\$10.08	1.99%
Class Y	\$1,000	\$1,199.00	\$ 4.40	\$1,000	\$1,021.22	\$ 4.04	0.79%
Dividend Opportunities Fund							
Class A	\$1,000	\$1,162.30	\$ 6.92	\$1,000	\$1,018.78	\$ 6.46	1.27%
Class B	\$1,000	\$1,155.50	\$13.15	\$1,000	\$1,013.02	\$12.28	2.42%
Class C	\$1,000	\$1,157.50	\$11.54	\$1,000	\$1,014.51	\$10.78	2.12%
Class Y	\$1,000	\$1,163.90	\$ 5.30	\$1,000	\$1,020.28	\$ 4.95	0.98%
Energy Fund							
Class A	\$1,000	\$1,142.00	\$ 8.57	\$1,000	\$1,017.16	\$ 8.07	1.60%
Class B	\$1,000	\$1,136.00	\$15.06	\$1,000	\$1,011.15	\$14.18	2.79%
Class C	\$1,000	\$1,137.20	\$13.25	\$1,000	\$1,012.82	\$12.48	2.46%
Class Y	\$1,000	\$1,145.10	\$ 5.90	\$1,000	\$1,019.66	\$ 5.55	1.10%
International Growth Fund							
Class A	\$1,000	\$1,172.80	\$ 7.82	\$1,000	\$1,017.99	\$ 7.26	1.43%
Class B	\$1,000	\$1,165.70	\$15.38	\$1,000	\$1,010.99	\$14.28	2.82%
Class C	\$1,000	\$1,167.40	\$13.76	\$1,000	\$1,012.48	\$12.78	2.53%
Class Y	\$1,000	\$1,176.00	\$ 5.77	\$1,000	\$1,019.91	\$ 5.35	1.05%
New Concepts Fund							
Class A	\$1,000	\$1,181.80	\$ 7.53	\$1,000	\$1,018.31	\$ 6.96	1.37%
Class B	\$1,000	\$1,173.60	\$13.69	\$1,000	\$1,012.57	\$12.68	2.51%
Class C	\$1,000	\$1,174.80	\$12.40	\$1,000	\$1,013.77	\$11.48	2.27%
Class Y	\$1,000	\$1,182.50	\$ 5.57	\$1,000	\$1,020.08	\$ 5.15	1.02%
Science and Technology Fund							
Class A	\$1,000	\$1,290.70	\$ 7.33	\$1,000	\$1,018.82	\$ 6.46	1.27%
Class B	\$1,000	\$1,283.30	\$13.47	\$1,000	\$1,013.38	\$11.88	2.35%
Class C	\$1,000	\$1,284.00	\$12.68	\$1,000	\$1,014.12	\$11.18	2.20%
Class Y	\$1,000	\$1,292.60	\$ 5.73	\$1,000	\$1,020.18	\$ 5.05	1.00%
Small Cap Fund							
Class A	\$1,000	\$1,212.70	\$ 8.08	\$1,000	\$1,017.95	\$ 7.37	1.44%
Class B	\$1,000	\$1,205.40	\$14.11	\$1,000	\$1,012.36	\$12.88	2.55%
Class C	\$1,000	\$1,206.90	\$12.47	\$1,000	\$1,013.86	\$11.38	2.25%
Class Y	\$1,000	\$1,215.10	\$ 5.76	\$1,000	\$1,019.98	\$ 5.25	1.04%
Tax-Managed Equity Fund							
Class A	\$1,000	\$1,240.80	\$ 6.16	\$1,000	\$1,019.70	\$ 5.55	1.09%
Class B	\$1,000	\$1,234.60	\$11.62	\$1,000	\$1,014.80	\$10.48	2.06%
Class C	\$1,000	\$1,234.80	\$11.06	\$1,000	\$1,015.26	\$ 9.98	1.97%

See footnotes on page 6.

ILLUSTRATION OF FUND EXPENSES

Waddell & Reed Advisors Funds

(UNAUDITED)

Fund	Actual ⁽¹⁾			Hypothetical ⁽²⁾			Annualized Expense Ratio Based on the Six-Month Period
	Beginning Account Value 6-30-13	Ending Account Value 12-31-13	Expenses Paid During Period*	Beginning Account Value 6-30-13	Ending Account Value 12-31-13	Expenses Paid During Period*	
Value Fund							
Class A	\$1,000	\$1,147.20	\$ 6.87	\$1,000	\$1,018.82	\$ 6.46	1.27%
Class B	\$1,000	\$1,140.20	\$13.16	\$1,000	\$1,012.94	\$12.38	2.43%
Class C	\$1,000	\$1,141.90	\$11.57	\$1,000	\$1,014.37	\$10.88	2.15%
Class Y	\$1,000	\$1,149.20	\$ 4.94	\$1,000	\$1,020.65	\$ 4.65	0.90%
Vanguard Fund							
Class A	\$1,000	\$1,237.80	\$ 6.60	\$1,000	\$1,019.28	\$ 5.96	1.18%
Class B	\$1,000	\$1,230.40	\$13.61	\$1,000	\$1,013.03	\$12.28	2.42%
Class C	\$1,000	\$1,231.40	\$12.27	\$1,000	\$1,014.23	\$11.08	2.18%
Class Y	\$1,000	\$1,239.70	\$ 4.82	\$1,000	\$1,020.86	\$ 4.34	0.86%

*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 184 days in the six-month period ended December 31, 2013, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the last column of this section.

(2) This section uses a hypothetical five percent annual return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads or exchange fees.

PORTFOLIO HIGHLIGHTS

Accumulative Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	99.7%
Consumer Discretionary	31.8%
Health Care	13.1%
Industrials	12.8%
Information Technology	12.7%
Consumer Staples	11.6%
Energy	8.4%
Financials	4.8%
Materials	3.6%
Telecommunication Services	0.9%
Purchased Options	0.1%
Cash and Cash Equivalents	0.2%

Lipper Rankings

Category: Lipper Multi-Cap Core Funds	Rank	Percentile
1 Year	389/811	48
3 Year	403/702	58
5 Year	394/600	66
10 Year	215/354	61

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector
Apple Inc.	Information Technology
Harley-Davidson, Inc.	Consumer Discretionary
Panera Bread Company, Class A	Consumer Discretionary
Canadian Pacific Railway Limited	Industrials
Kansas City Southern	Industrials
JPMorgan Chase & Co.	Financials
Anheuser-Busch InBev S.A., ADR	Consumer Staples
Costco Wholesale Corporation	Consumer Staples
Las Vegas Sands, Inc.	Consumer Discretionary
Starbucks Corporation	Consumer Discretionary

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Accumulative Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Aerospace & Defense – 1.4%		
KEYW Holding Corporation (A)	100	\$ 1,344
Precision Castparts Corp.	60	16,158
		<u>17,502</u>
Airlines – 1.3%		
Delta Air Lines, Inc.	250	6,868
UAL Corporation (A)	250	9,457
		<u>16,325</u>
Apparel Retail – 1.0%		
Limited Brands, Inc.	215	13,298
Apparel, Accessories & Luxury Goods – 1.4%		
lululemon athletica inc. (A)	310	18,299
Auto Parts & Equipment – 1.1%		
BorgWarner Inc.	250	13,978
Automobile Manufacturers – 1.4%		
DaimlerChrysler AG, Registered Shares (B)	215	18,604
Biotechnology – 6.4%		
Alexion Pharmaceuticals, Inc. (A)	155	20,624
Biogen Idec Inc. (A)(C)	83	23,080
BioMarin Pharmaceutical Inc. (A)	100	7,027
Gilead Sciences, Inc. (A)	230	17,285
Keryx Biopharmaceuticals, Inc. (A)	100	1,295
KYTHERA Biopharmaceuticals, Inc. (A)	280	10,430
Quintiles Transnational Holdings Inc. (A)	100	4,634
		<u>84,375</u>
Brewers – 2.3%		
Anheuser-Busch InBev S.A., ADR	280	29,809
Broadcasting – 2.9%		
CBS Corporation, Class B	325	20,715
Discovery Holding Company, Class A (A)	180	16,276
		<u>36,991</u>
Cable & Satellite – 2.3%		
Comcast Corporation, Class A	100	5,197
Time Warner Cable Inc.	180	24,390
		<u>29,587</u>
Casinos & Gaming – 2.3%		
Las Vegas Sands, Inc. (C)	375	29,576
Communications Equipment – 1.3%		
Cisco Systems, Inc.	675	15,154
Ruckus Wireless, Inc (A)	100	1,420
		<u>16,574</u>

COMMON STOCKS (Continued)	Shares	Value
Computer & Electronics Retail – 0.6%		
GameStop Corp, Class A	160	\$ 7,882
Computer Hardware – 6.1%		
Apple Inc. (C)	140	78,554
Construction & Farm Machinery & Heavy Trucks – 0.5%		
Westinghouse Air Brake Technologies Corporation	90	6,684
Consumer Electronics – 1.9%		
Harman International Industries, Incorporated (C)	307	25,144
Data Processing & Outsourced Services – 1.5%		
Visa Inc., Class A	85	18,928
Distillers & Vintners – 0.8%		
Beam Inc.	150	10,209
Diversified Banks – 0.2%		
Wells Fargo & Company	50	2,270
Diversified Chemicals – 1.6%		
Dow Chemical Company (The)	440	19,536
Diversified Support Services – 0.3%		
Healthcare Services Group, Inc.	140	3,972
Fertilizers & Agricultural Chemicals – 0.9%		
Monsanto Company	100	11,655
Food Retail – 0.8%		
Whole Foods Market, Inc.	175	10,120
Footwear – 1.0%		
NIKE, Inc., Class B	160	12,582
General Merchandise Stores – 0.1%		
Burlington Stores, Inc. (A)	45	1,440
Health Care Distributors – 0.6%		
Cardinal Health, Inc.	110	7,349
Health Care Facilities – 1.7%		
HCA Holdings, Inc. (A)	375	17,891
Surgical Care Affiliates, Inc. (A)	100	3,484
		<u>21,375</u>
Health Care Services – 0.3%		
Premier Inc. (A)	90	3,308
Health Care Supplies – 0.1%		
LDR Holding Corporation (A)	34	796

COMMON STOCKS (Continued)	Shares	Value
Home Improvement Retail – 0.2%		
Tile Shop Holdings, Inc. (A)	115	\$ 2,078
Homebuilding – 0.2%		
William Lyon Homes, Class A (A)	90	1,993
Homefurnishing Retail – 0.3%		
Bed Bath & Beyond Inc. (A)(C)	50	4,015
Hotels, Resorts & Cruise Lines – 2.1%		
Hilton Worldwide Holdings Inc. (A)	195	4,339
Norwegian Cruise Line Holdings Ltd. (A)	225	7,981
Starwood Hotels & Resorts Worldwide, Inc.	180	14,301
		<u>26,621</u>
Hypermarkets & Super Centers – 2.3%		
Costco Wholesale Corporation	250	29,753
Industrial Machinery – 2.8%		
Pall Corporation	208	17,790
Pentair, Inc.	255	19,806
		<u>37,596</u>
Integrated Oil & Gas – 0.9%		
Occidental Petroleum Corporation	120	11,412
Internet Retail – 0.4%		
Shutterfly, Inc. (A)	90	4,584
Internet Software & Services – 1.1%		
Chegg, Inc. (A)	110	936
Cvent, Inc. (A)	28	1,033
Facebook, Inc., Class A (A)	225	12,298
		<u>14,267</u>
Leisure Facilities – 1.7%		
Vail Resorts, Inc.	300	22,569
Life & Health Insurance – 0.2%		
Fidelity & Guaranty Life (A)	150	2,841
Motorcycle Manufacturers – 2.9%		
Harley-Davidson, Inc. (C)	550	38,082
Movies & Entertainment – 1.1%		
AMC Entertainment Holdings, Inc., Class A (A)	187	3,852
News Corporation Limited, Class A	305	10,729
		<u>14,581</u>
Oil & Gas Drilling – 0.9%		
Patterson-UTI Energy, Inc.	450	11,394

SCHEDULE OF INVESTMENTS

Accumulative Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS

(Continued)

	Shares	Value
Oil & Gas Equipment & Services – 2.8%		
Halliburton Company	100	\$ 5,075
National Oilwell Varco, Inc.	200	15,906
Schlumberger Limited	175	15,769
		<u>36,750</u>
Oil & Gas Exploration & Production – 3.3%		
Equitable Resources, Inc.	100	8,978
Noble Energy, Inc.	250	17,028
Southwestern Energy Company (A)	400	15,732
		<u>41,738</u>
Oil & Gas Storage & Transportation – 0.5%		
MarkWest Energy Partners, L.P.	100	6,613
		<u>6,613</u>
Other Diversified Financial Services – 2.5%		
JPMorgan Chase & Co. (C)	550	32,164
		<u>32,164</u>
Packaged Foods & Meats – 2.5%		
Hain Celestial Group, Inc. (The) (A)	80	7,262
Mead Johnson Nutrition Company	310	25,966
		<u>33,228</u>
Personal Products – 0.9%		
Coty Inc., Class A	85	1,296
Estee Lauder Companies, Inc. (The), Class A	130	9,792
		<u>11,088</u>
Pharmaceuticals – 4.0%		
Akorn, Inc. (A)	70	1,724
Allergan, Inc.	195	21,660
Jazz Pharmaceuticals plc (A)	73	9,176
Shire Pharmaceuticals Group plc, ADR	95	13,423
Teva Pharmaceutical Industries Limited, ADR	120	4,810
Zoetis Inc.	70	2,288
		<u>53,081</u>
Railroads – 5.2%		
Canadian Pacific Railway Limited (C)	240	36,316
Kansas City Southern (C)	260	32,196
		<u>68,512</u>
Real Estate Services – 0.7%		
RE/MAX Holdings, Inc., Class A (A)	90	2,886
Realogy Holdings Corp. (A)	115	5,689
		<u>8,575</u>
Regional Banks – 1.2%		
PNC Financial Services Group, Inc. (The)	111	8,573

COMMON STOCKS

(Continued)

	Shares	Value
Regional Banks (Continued)		
Signature Bank (A)	65	\$ 6,982
		<u>15,555</u>
Research & Consulting Services – 0.5%		
Nielsen Holdings N.V.	75	3,442
Verisk Analytics, Inc., Class A (A)	40	2,629
		<u>6,071</u>
Restaurants – 6.9%		
Chuy's Holdings, Inc. (A)	95	3,422
Dunkin' Brands Group, Inc.	420	20,244
Panera Bread Company, Class A (A)	215	37,988
Starbucks Corporation (C)	360	28,220
		<u>89,874</u>
Semiconductor Equipment – 1.4%		
Applied Materials, Inc.	1,050	18,575
		<u>18,575</u>
Semiconductors – 1.0%		
Microchip Technology Incorporated	145	6,489
Micron Technology, Inc. (A)	125	2,720
NXP Semiconductors N.V. (A)	75	3,445
		<u>12,654</u>
Soft Drinks – 0.8%		
Coca-Cola Company (The)	240	9,914
		<u>9,914</u>
Specialty Chemicals – 1.1%		
Sherwin-Williams Company (The)	80	14,680
		<u>14,680</u>
Systems Software – 0.3%		
Inflox Inc. (A)	40	1,321
Microsoft Corporation	75	2,807
		<u>4,128</u>
Tobacco – 1.2%		
Philip Morris International Inc.	180	15,683
		<u>15,683</u>
Trading Companies & Distributors – 0.8%		
Fastenal Company	210	9,977
		<u>9,977</u>
Wireless Telecommunication Service – 0.9%		
American Tower Corporation, Class A	145	11,574
		<u>11,574</u>
TOTAL COMMON STOCKS – 99.7%		\$1,288,942
(Cost: \$930,992)		

PURCHASED OPTIONS

	Number of Contracts (Unrounded)	Value
lululemon athletica inc.: Call \$72.50, Expires 6–20–14	300	\$ 56
Call \$75.00, Expires 6–20–14	300	44
S&P 500 Index, Put \$1,750.00, Expires 2–21–14	800	752

TOTAL PURCHASED OPTIONS – 0.1%

\$ 852

(Cost: \$2,899)

SHORT-TERM SECURITIES

	Principal	
Commercial Paper – 0.4%		
Wal-Mart Stores, Inc., 0.070%, 1–13–14 (D)	\$5,000	5,000
Master Note – 0.1%		
Toyota Motor Credit Corporation, 0.091%, 1–7–14 (E)	913	913

TOTAL SHORT-TERM SECURITIES – 0.5%

\$ 5,913

(Cost: \$5,913)

TOTAL INVESTMENT SECURITIES – 100.3%

\$1,295,707

(Cost: \$939,804)

LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.3%)

(3,681)

NET ASSETS – 100.0%

\$1,292,026

SCHEDULE OF INVESTMENTS

Accumulative Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Listed on an exchange outside the United States.

(C) All or a portion of the security position is held in collateralized accounts to cover potential obligations with respect to outstanding written options.

(D) Rate shown is the yield to maturity at December 31, 2013.

(E) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following written options were outstanding at December 31, 2013 (contracts and exercise prices unrounded):

Underlying Security	Counterparty, if OTC	Type	Number of Contracts	Expiration Month	Exercise Price	Premium Received	Value
Apple Inc.	N/A	Call	100	January 2014	\$ 600.00	\$ 41	\$ (15)
	N/A	Call	100	February 2014	650.00	43	(30)
Bed Bath & Beyond Inc.	N/A	Call	200	January 2014	82.50	21	(30)
Biogen Idec Inc.	N/A	Call	100	January 2014	315.00	27	(4)
Canadian Pacific Railway Limited	N/A	Call	100	March 2014	160.00	23	(26)
	N/A	Call	100	March 2014	170.00	11	(8)
Harley-Davidson, Inc.	N/A	Call	200	January 2014	70.00	14	(16)
Harman International Industries, Incorporated	N/A	Put	150	January 2014	55.00	11	(2)
	N/A	Call	150	January 2014	87.50	16	(5)
	N/A	Call	150	April 2014	95.00	27	(24)
	N/A	Call	150	April 2014	100.00	16	(14)
JPMorgan Chase & Co.	N/A	Call	500	February 2014	62.50	15	(15)
Kansas City Southern	N/A	Call	100	March 2014	135.00	20	(13)
	N/A	Call	100	March 2014	140.00	12	(6)
Las Vegas Sands, Inc.	N/A	Call	250	January 2014	82.25	17	(11)
S&P 500 Index	N/A	Put	250	February 2014	1,650.00	324	(87)
Starbucks Corporation	N/A	Call	150	February 2014	90.00	13	(3)
						\$651	\$(309)

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks			
Consumer Discretionary	\$ 411,778	\$ —	\$ —
Consumer Staples	149,804	—	—
Energy	107,907	—	—
Financials	61,405	—	—
Health Care	170,284	—	—
Industrials	166,639	—	—
Information Technology	163,680	—	—
Materials	45,871	—	—
Telecommunication Services	11,574	—	—
Total Common Stocks	\$1,288,942	\$ —	\$ —
Purchased Options	808	44	—
Short-Term Securities	—	5,913	—
Total	\$1,289,750	\$5,957	\$ —
Liabilities			
Written Options	\$ 207	\$ 102	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

OTC = Over the Counter

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Asset Strategy Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	80.0%
Consumer Discretionary	35.1%
Financials	18.8%
Information Technology	13.0%
Energy	4.3%
Industrials	3.3%
Health Care	2.5%
Consumer Staples	1.5%
Materials	1.0%
Telecommunication Services	0.5%
Bullion (Gold)	7.4%
Purchased Options	0.1%
Bonds	4.2%
Corporate Debt Securities	3.6%
Loans	0.6%
United States Government and Government Agency Obligations	0.0%
Cash and Cash Equivalents	8.3%

Country Weightings

North America	39.2%
United States	39.2%
Pacific Basin	30.2%
Japan	13.0%
Hong Kong	9.4%
China	6.4%
Other Pacific Basin	1.4%
Europe	14.9%
United Kingdom	6.1%
Other Europe	8.8%
Bullion (Gold)	7.4%
Cash and Cash Equivalents and Options	8.3%

Lipper Rankings

Category: Lipper Global Flexible Portfolio Funds		
	Rank	Percentile
1 Year	26/467	6
3 Year	26/261	10
5 Year	38/177	22
10 Year	2/70	3

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Country	Sector
Galaxy Entertainment Group Limited, ADR	Hong Kong	Consumer Discretionary
Sands China Ltd.	China	Consumer Discretionary
Delta Topco Limited	United Kingdom	Consumer Discretionary
Wynn Resorts, Limited	United States	Consumer Discretionary
AIA Group Limited	Hong Kong	Financials
Media Group Holdings, LLC	United States	Consumer Discretionary
CBS Corporation, Class B	United States	Consumer Discretionary
Cisco Systems, Inc.	United States	Information Technology
Phillips 66	United States	Energy
Legend Pictures, LLC	United States	Consumer Discretionary

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

CONSOLIDATED SCHEDULE OF INVESTMENTS

Asset Strategy Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Advertising – 0.1%			Cable & Satellite (Continued)			Industrial Conglomerates – 0.5%		
Omnicom Group Inc. (A) . . .	27	\$ 1,971	Comcast Corporation, Class A	380	\$ 19,747	Hutchison Whampoa Limited, Ordinary Shares (B)	1,291	\$ 17,548
Aerospace & Defense – 1.0%			Time Warner Cable Inc. . . .	56	7,615			
Boeing Company (The)	84	11,438			35,295	Integrated Oil & Gas – 0.7%		
European Aeronautic Defence and Space Company (B)	322	24,745	Casinos & Gaming – 14.4%			Occidental Petroleum Corporation	261	24,840
		36,183	Dynam Japan Holdings Co., Ltd. (B)	2,550	8,929	Internet Retail – 0.3%		
Airlines – 0.3%			Galaxy Entertainment Group Limited, ADR (B)	25,010	224,320	Amazon.com, Inc. (A)	28	11,126
Japan Airlines Corporation (B)	242	11,931	Sands China Ltd. (B)	22,407	183,060	Internet Software & Services – 1.3%		
Apparel, Accessories & Luxury Goods – 0.5%			Wynn Resorts, Limited	625	121,459	Tencent Holdings Limited (B)	757	48,259
Prada S.p.A. (B)	2,032	18,084			537,768	Investment Banking & Brokerage – 1.9%		
Application Software – 1.2%			Communications Equipment – 1.8%			Goldman Sachs Group, Inc. (The)	165	29,248
Adobe Systems Incorporated (A)	95	5,683	Cisco Systems, Inc. (C)	3,000	67,349	Nomura Holdings, Inc. (B)	4,483	34,438
Intuit Inc.	518	39,518	Computer Hardware – 1.0%			TCS Group Holding plc, GDR (A)(B)(D)	511	7,635
		45,201	Apple Inc. (C)	66	37,258			71,321
Asset Management & Custody Banks – 2.6%			Construction & Farm Machinery & Heavy Trucks – 0.1%			IT Consulting & Other Services – 1.7%		
Apollo Global Management, LLC	640	20,234	KION Holding 1 GmbH (A)(B)	67	2,814	Accenture plc, Class A	115	9,480
Blackstone Group L.P. (The)	1,446	45,536	Consumer Electronics – 2.3%			Cognizant Technology Solutions Corporation, Class A (A)	414	41,819
KKR & Co. L.P.	1,332	32,416	Panasonic Corporation (B)	3,698	42,977	International Business Machines Corporation	55	10,335
		98,186	Sony Corporation (B)	2,391	41,462			61,634
Auto Parts & Equipment – 0.7%					84,439	Life & Health Insurance – 4.9%		
Continental AG (B)	117	25,569	Diversified Banks – 5.3%			AIA Group Limited (B)	21,407	107,389
Automobile Manufacturers – 4.1%			BNP Paribas (B)	76	5,884	MetLife, Inc.	600	32,363
Bayerische Motoren Werke AG (B)	282	33,084	Kabushiki Kaisha Mitsubishi Tokyo Financial Group (B)	6,492	42,780	Ping An Insurance (Group) Company of China, Ltd., A Shares (B)	879	6,061
DaimlerChrysler AG, Registered Shares (B)	151	13,092	Mizuho Financial Group, Inc. (B)	21,237	45,981	Prudential Financial, Inc.	354	32,655
Fuji Heavy Industries Ltd. (B)	739	21,146	Sumitomo Mitsui Financial Group, Inc. (B)	828	42,599			178,468
Hyundai Motor Company (A)(B)	215	48,253	Sumitomo Mitsui Trust Holdings, Inc. (B)	7,484	39,371	Movies & Entertainment – 8.1%		
Renault S.A. (B)	128	10,268	Wells Fargo & Company . . .	406	18,432	Delta Topco Limited (A)(E)	104,001	122,668
Toyota Motor Corporation (B)	424	25,842			195,047	Legend Pictures, LLC (A)(E)	22	49,792
		151,685	Diversified Chemicals – 0.6%			Media Group Holdings, LLC (A)(E)	43	92,956
Biotechnology – 1.0%			Dow Chemical Company (The)	493	21,907	News Corporation Limited, Class A	966	33,981
Amgen Inc.	131	14,989	Electronic Equipment & Instruments – 1.3%					299,397
Biogen Idec Inc. (A)	28	7,861	FUJIFILM Holdings Corporation (B)	395	11,176	Multi-Line Insurance – 2.8%		
Gilead Sciences, Inc. (A) . . .	175	13,166	Hitachi, Ltd. (B)	4,956	37,460	Allianz AG, Registered Shares (B)	126	22,649
		36,016			48,636	American International Group, Inc.	652	33,299
Brewers – 0.3%			Health Care Supply – 0.1%			Axa S.A. (B)	893	24,823
Anheuser-Busch InBev S.A., ADR	106	11,295	Abbott Laboratories	138	5,301	Zurich Financial Services, Registered Shares (B) . . .	68	19,705
Broadcasting – 2.5%			Home Entertainment Software – 0.3%					100,476
CBS Corporation, Class B . . .	1,449	92,327	Activision Blizzard, Inc.	694	12,369			
Cable & Satellite – 0.9%			Hotels, Resorts & Cruise Lines – 1.2%					
British Sky Broadcasting Group plc (B)	568	7,933	Starwood Hotels & Resorts Worldwide, Inc.	560	44,452			

CONSOLIDATED SCHEDULE OF INVESTMENTS

Asset Strategy Fund (in thousands)

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS

(Continued)

	Shares	Value
Office Electronics – 1.1%		
Canon Inc. (B)	1,066	\$33,699
Ricoh Company, Ltd. (B)	541	5,743
		<u>39,442</u>
Oil & Gas Exploration & Production – 1.1%		
ConocoPhillips	554	39,168
		<u>39,168</u>
Oil & Gas Refining & Marketing – 1.4%		
Phillips 66	703	54,234
		<u>54,234</u>
Oil & Gas Storage & Transportation – 1.1%		
Plains GP Holdings, L.P., Class A (A)	1,503	40,238
		<u>40,238</u>
Other Diversified Financial Services – 0.6%		
Citigroup Inc.	178	9,286
ING Groep N.V., Certicaaten Van Aandelen (A)(B)	1,020	14,167
		<u>23,453</u>
Pharmaceuticals – 1.4%		
AstraZeneca plc (B)	137	8,092
Pfizer Inc.	1,133	34,692
Roche Holdings AG, Genusscheine (B)	33	9,079
		<u>51,863</u>
Property & Casualty Insurance – 0.1%		
ACE Limited	35	3,613
Allstate Corporation (The) . . .	32	1,745
		<u>5,358</u>
Railroads – 0.4%		
Central Japan Railway Company (B)	114	13,449
		<u>13,449</u>
Reinsurance – 0.6%		
Swiss Re Ltd (B)	229	21,072
		<u>21,072</u>
Research & Consulting Services – 1.0%		
Nielsen Holdings N.V.	903	41,434
		<u>41,434</u>
Semiconductor Equipment – 1.4%		
Applied Materials, Inc. (C) . . .	1,296	22,924
ASML Holding N.V., Ordinary Shares (B)	310	29,056
		<u>51,980</u>
Semiconductors – 0.9%		
Samsung Electronics Co., Ltd. (B)	7	9,230
Texas Instruments Incorporated	564	24,783
		<u>34,013</u>
Specialty Chemicals – 0.4%		
LyondellBasell Industries N.V., Class A	196	15,719
		<u>15,719</u>
Systems Software – 1.0%		
Microsoft Corporation	560	20,957

COMMON STOCKS

(Continued)

	Shares	Value
Systems Software (Continued)		
Oracle Corporation	466	\$ 17,810
		<u>38,767</u>
Tobacco – 1.2%		
Philip Morris International Inc.	517	45,038
		<u>45,038</u>
Wireless Telecommunication Service – 0.5%		
NTT DoCoMo, Inc. (B)	1,204	19,727
		<u>19,727</u>
TOTAL COMMON STOCKS – 80.0%		\$2,969,107
(Cost: \$1,981,221)		
	Number of Contracts (Unrounded)	
PURCHASED OPTIONS		
Apple Inc., Call \$575.00, Expires 1–17–14, OTC (Ctrpty: Goldman Sachs International)	362	211
Applied Materials, Inc., Call \$19.00, Expires 1–17–14, OTC (Ctrpty: Barclays Bank plc)	1,936	8
Cisco Systems, Inc., Call \$22.00, Expires 1–17–14, OTC (Ctrpty: Deutsche Bank AG)	4,306	217
FTSE 100 Index: Call GBP6,650.00, Expires 3–21–14, OTC (Ctrpty: Barclays Bank plc)(F)	511	1,464
Call GBP6,700.00, Expires 6–20–14, OTC (Ctrpty: Barclays Bank plc)(F)	511	1,703
iShares FTSE China 25 Index Fund, Call \$42.00, Expires 1–17–14, OTC (Ctrpty: Barclays Bank plc)	4,303	11

PURCHASED

OPTIONS (Continued)

	Number of Contracts (Unrounded)	Value
Nikkei 225 Index, Call JPY15,500.00, Expires 1–10–14, OTC (Ctrpty: Citibank N.A.)(F)	161	\$ 1,078
SPDR Gold Shares, ETF, Put \$118.00, Expires 2–21–14	242	106

TOTAL PURCHASED

OPTIONS – 0.1% \$ 4,798

(Cost: \$3,349)

CORPORATE DEBT

SECURITIES Principal

Movies & Entertainment – 3.6%		
Circuit of the Americas LLC, Series A, 16.000%, 7–31–18	\$ 5,000	3,500
Circuit of the Americas LLC, Series B, 16.000%, 7–31–18 (G)	5,938	4,156
Delta Topco Limited, 10.000%, 11–24–60 (E)(G)	85,989	85,990
Legendary Pictures Funding, LLC and Legendary Finance, Inc., 8.000%, 3–15–18	41,100	41,100
		<u>134,746</u>

TOTAL CORPORATE DEBT

SECURITIES – 3.6% \$134,746

(Cost: \$139,001)

LOANS

Movies & Entertainment – 0.6%		
Circuit of the Americas LLC, 6.000%, 6–30–17 (H)	1,300	1,300
Formula One Holdings Ltd. and Alpha Topco Limited, 9.250%, 10–16–19 (H)	20,800	21,658
		<u>22,958</u>

TOTAL LOANS – 0.6%

\$ 22,958

(Cost: \$21,833)

Asset Strategy Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS			SHORT-TERM SECURITIES (Continued)			SHORT-TERM SECURITIES (Continued)			
Principal	Value		Principal	Value		Principal	Value		
Mortgage-Backed Obligations – 0.0%			Commercial Paper – 5.8%			Commercial Paper (Continued)			
Federal Home Loan Mortgage Corporation Agency REMIC/CMO:			Air Products and Chemicals, Inc.,			Unilever Capital Corporation (GTD by Unilever N.V.),			
5.500%, 9–15–17 (I) ..	\$ 183	\$ 5	0.170%, 2–19–14 (J) ...	\$10,000	\$ 9,998	0.020%, 1–3–14 (J) ..	\$20,436	\$ 20,435	
5.000%, 4–15–19 (I) ..	43	—*	Coca-Cola Company (The),	0.090%, 3–6–14 (J)	10,000	9,998	Wal-Mart Stores, Inc.:		
5.500%, 3–15–23 (I) ..	292	30	Danaher Corporation,	0.090%, 1–16–14 (J) ...	8,000	8,000	0.060%, 1–6–14 (J) ..	5,000	5,000
5.500%, 10–15–25 (I) .	1,647	236	Exxon Mobil Corporation:	0.010%, 1–2–14 (J)	11,000	11,000	0.070%, 1–9–14 (J) ..	3,000	3,000
5.500%, 5–15–33 (I) ..	885	174	0.060%, 1–16–14 (J) ...	10,000	10,000	0.070%, 1–13–14 (J) ..	10,000	10,000	
6.000%, 11–15–35 (I) .	639	121	0.050%, 1–27–14 (J) ...	5,000	5,000			212,171	
Federal National Mortgage Association Agency REMIC/CMO:			Federal Home Loan Bank,			Master Note – 0.1%			
5.500%, 6–25–23 (I) ..	447	59	0.070%, 2–7–14 (J)	10,000	9,999	Toyota Motor Credit Corporation,			
5.000%, 11–25–23 (I) ..	43	—*	General Mills, Inc.,	0.150%, 1–9–14 (J)	8,000	8,000	0.091%, 1–7–14 (K) ..		
5.500%, 8–25–33 (I) ..	986	190	GlaxoSmithKline Finance plc (GTD by GlaxoSmithKline plc),	0.160%, 1–9–14 (J)	8,000	8,000	Municipal Obligations – Taxable – 0.3%		
5.500%, 12–25–33 (I) .	1,040	99	ICI CI Bank Limited (GTD by Wells Fargo Bank, N.A.),	0.140%, 1–21–14 (J) ...	15,000	14,999	MS Business Fin Corp, Gulf Opp Zone Indl Dev Var Rev Bonds (Chevron U.S.A. Inc. Proj), Ser 2007D (GTD by Chevron Corporation),		
5.500%, 4–25–34 (I) ..	1,355	253	Illinois Tool Works Inc.,	0.080%, 1–8–14 (J)	7,000	7,000	0.020%, 1–1–14 (K) ..		
5.500%, 11–25–36 (I) .	1,621	298	John Deere Financial Limited (GTD by John Deere Capital Corporation),	0.100%, 1–16–14 (J) ...	8,000	8,000	12,000		
		1,624	L Air Liquide S.A.,	0.180%, 1–31–14 (J) ...	10,000	9,998	NYC GO Bonds, Fiscal 2008 Series L–4, 0.030%, 1–1–14 (K) ..		
TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 0.0%			Nestle Finance International Ltd. (GTD by Nestle S.A.):			1,000			
(Cost: \$5,241)			0.070%, 1–8–14 (J)			13,000			
			0.090%, 2–13–14 (J) ...			TOTAL SHORT-TERM SECURITIES – 6.4%			
BULLION – 7.4%	Troy Ounces		Pfizer Inc.:			(Cost: \$236,918)			
Gold	229	\$275,767	0.070%, 3–10–14 (J) ...			TOTAL INVESTMENT SECURITIES – 98.1%			
(Cost: \$267,417)			0.070%, 3–12–14 (J) ...			(Cost: \$2,654,980)			
SHORT-TERM SECURITIES	Principal	Value	Toronto-Dominion Holdings USA Inc. (GTD by Toronto Dominion Bank),			CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.9%			
Certificate Of Deposit – 0.2%			0.120%, 2–4–14 (J)			71,804			
Banco del Estado de Chile:						NET ASSETS – 100.0%			
0.200%, 3–3–14	\$5,000	5,000				\$3,717,721			
0.200%, 3–11–14	4,400	4,400							
		9,400							

Notes to Consolidated Schedule of Investments

*Not shown due to rounding.

(A) No dividends were paid during the preceding 12 months.

(B) Listed on an exchange outside the United States.

(C) All or a portion of the security position is held in collateralized accounts for OTC derivatives collateral as governed by International Swaps and Derivatives Association, Inc. Master Agreements.

(D) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2013, the total value of these securities amounted to \$7,635 or 0.2% of net assets.

CONSOLIDATED SCHEDULE OF INVESTMENTS

Asset Strategy Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

(E)Restricted securities. At December 31, 2013, the Fund owned the following restricted securities:

Security	Acquisition Date(s)	Shares	Cost	Value
Delta Topco Limited	1-23-12 to 5-1-12	104,001	\$ 70,318	\$122,668
Legend Pictures, LLC	12-18-12	22	41,637	49,792
Media Group Holdings, LLC	4-23-13	43	92,956	92,956
Principal				
Delta Topco Limited, 10.000%, 11-24-60	1-23-12 to 6-18-12	\$ 85,989	86,963	85,990
			<u>\$291,874</u>	<u>\$351,406</u>

The total value of these securities represented 9.5% of net assets at December 31, 2013.

(F)Principal amount and exercise prices are denominated in the indicated foreign currency, where applicable (GBP – British Pound and JPY – Japanese Yen).

(G)Payment-in-kind bonds.

(H)Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013.

(I)Interest-only security. Amount shown as principal represents notional amount for computation of interest.

(J)Rate shown is the yield to maturity at December 31, 2013.

(K)Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following forward foreign currency contracts were outstanding at December 31, 2013:

Type	Currency	Counterparty	Principal Amount of Contract (Denominated in Indicated Currency)	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Sell	Japanese Yen	UBS AG	2,871,219	1-27-14	\$ 1,183	\$ —
Sell	Japanese Yen	Goldman Sachs International	3,034,430	1-27-14	1,268	—
Sell	Japanese Yen	Citibank N.A.	4,624,863	1-27-14	1,914	—
Sell	Japanese Yen	Morgan Stanley International	8,258,763	1-27-14	3,407	—
Sell	Japanese Yen	Barclays Capital, Inc.	10,516,418	1-27-14	4,289	—
Sell	Japanese Yen	Deutsche Bank AG	15,376,981	1-27-14	6,365	—
					<u>\$18,426</u>	<u>\$ —</u>

The following futures contracts were outstanding at December 31, 2013 (contracts unrounded):

Description	Type	Expiration Date	Number of Contracts	Value	Unrealized Appreciation
Gold 100 oz Future Feb 14	Short	2-26-14	1,332	\$(160,346)	\$5,083

The following written options were outstanding at December 31, 2013 (contracts and exercise prices unrounded):

Underlying Security	Counterparty, if OTC	Type	Number of Contracts	Expiration Month	Exercise Price	Premium Received	Value
Apple Inc.	Goldman Sachs International	Call	362	January 2014	\$ 600.00	\$ 224	\$ (55)
Applied Materials, Inc.	Barclays Bank plc	Call	1,936	January 2014	21.00	21	(2)
	Barclays Bank plc	Put	1,100	January 2014	27.00	50	(1)
Cisco Systems, Inc.	Deutsche Bank AG	Call	6,459	January 2014	24.00	32	(10)
FTSE 100 Index	Barclays Bank plc	Put	511	March 2014	GBP6,000.00	429	(184)
	Barclays Bank plc	Call	511	March 2014	6,950.00	183	(376)
	Barclays Bank plc	Put	511	June 2014	5,900.00	896	(506)
Nikkei 225 Index	Citibank N.A.	Put	161	January 2014	JPY13,500.00	250	(5)
SPDR Gold Shares, ETF	N/A	Call	242	February 2014	\$ 118.00	103	(60)
						<u>\$2,188</u>	<u>\$(1,199)</u>

CONSOLIDATED SCHEDULE OF INVESTMENTS

Asset Strategy Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks			
Consumer Discretionary	\$1,036,698	\$ —	\$265,416
Consumer Staples	56,333	—	—
Energy	158,480	—	—
Financials	685,745	7,635	—
Health Care	93,180	—	—
Industrials	123,359	—	—
Information Technology	484,908	—	—
Materials	37,626	—	—
Telecommunication Services	19,727	—	—
Total Common Stocks	\$2,696,056	\$ 7,635	\$265,416
Purchased Options	106	4,692	—
Corporate Debt Securities	—	—	134,746
Loans	—	—	22,958
United States Government Agency Obligations	—	1,624	—
Bullion	275,767	—	—
Short-Term Securities	—	236,917	—
Total	\$2,971,929	\$250,868	\$423,120
Forward Foreign Currency Contracts	\$ —	\$ 18,428	\$ —
Futures Contracts	\$ 5,083	\$ —	\$ —
Liabilities			
Written Options	\$ 60	\$ 1,139	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following table is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Common Stocks	Corporate Debt Securities	Loans
Beginning Balance 7-1-13	\$164,653	\$136,509	\$23,213
Net realized gain (loss)	—	—	—
Net change in unrealized appreciation (depreciation)	22,520	(2,211)	(172)
Purchases	78,243	448	—
Sales	—	—	(100)
Amortization/Accretion of premium/discount	—	—	17
Transfers into Level 3 during the period	—	—	—
Transfers out of Level 3 during the period	—	—	—
Ending Balance 12-31-13	\$265,416	\$134,746	\$22,958
Net change in unrealized appreciation (depreciation) for all Level 3 investments still held as of 12-31-13	\$ 22,520	\$ (2,211)	\$ (172)

CONSOLIDATED SCHEDULE OF INVESTMENTS

Asset Strategy Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

Information about Level 3 fair value measurements:

	Fair Value at 12-31-13	Valuation Technique(s)	Unobservable Input(s)	Input Value(s)
Assets				
Common Stocks	\$172,460	Market comparable companies Discounted cash flows model	Price-earnings ratio Long-term growth rate Weighted average cost of capital Illiquidity discount	43x to 55x 2.5% 8.5% 7.5 to 10%
	92,956	Purchase price	Purchase price	\$ 2,147.47
Corporate Debt Securities	7,656	Broker quotes	Broker quotes	70
	85,990	Market comparable companies Discounted cash flows model	Price-earnings ratio Long-term growth rate Weighted average cost of capital Illiquidity discount	43x 2.5% 8.5% 7.5%
	41,100	Purchase price	Purchase price	100
Loans	22,958	Third-party valuation service	Broker quotes	100 to 104.125

Significant increase in price-earnings ratio or long-term growth rate inputs could result in a higher fair value measurement. However, significant increase in weighted average cost of capital of illiquidity discount inputs could result in a lower fair value measurement.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

CMO = Collateralized Mortgage Obligation

GDR = Global Depositary Receipts

GTD = Guaranteed

OTC = Over the Counter

REMIC = Real Estate Mortgage Investment Conduit

Country Diversification

(as a % of net assets)

United States	39.2%
Japan	13.0%
Hong Kong	9.4%
China	6.4%
United Kingdom	6.1%
Germany	2.7%
France	1.9%
Netherlands	1.5%
South Korea	1.4%
Switzerland	1.4%
Other Countries	1.3%
Other+	15.7%

+Includes gold bullion, options, cash and cash equivalents and other assets and liabilities

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Continental Income Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	72.2%
Consumer Discretionary	15.2%
Industrials	13.9%
Financials	9.0%
Energy	8.8%
Consumer Staples	8.2%
Information Technology	7.9%
Health Care	5.0%
Materials	4.2%
Bonds	23.7%
Corporate Debt Securities	19.9%
United States Government and Government Agency Obligations	3.6%
Other Government Securities	0.2%
Cash and Cash Equivalents	4.1%

Lipper Rankings

Category: Lipper Mixed-Asset Target Allocation Growth Funds		
	Rank	Percentile
1 Year	76/573	14
3 Year	32/510	7
5 Year	239/474	51
10 Year	15/289	6

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector
Limited Brands, Inc.	Consumer Discretionary
Anheuser-Busch InBev S.A., ADR	Consumer Staples
PNC Financial Services Group, Inc. (The)	Financials
Pentair, Inc.	Industrials
Boeing Company (The)	Industrials
Citigroup Inc.	Financials
JPMorgan Chase & Co.	Financials
Harley-Davidson, Inc.	Consumer Discretionary
CBS Corporation, Class B	Consumer Discretionary
Estee Lauder Companies, Inc. (The), Class A	Consumer Staples

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Continental Income Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Aerospace & Defense – 4.6%		
Boeing Company (The)	141	\$19,286
Honeywell International Inc.	185	16,940
Precision Castparts Corp.	63	17,047
		<u>53,273</u>
Apparel Retail – 2.0%		
Limited Brands, Inc.	402	24,871
Application Software – 1.3%		
Intuit Inc.	192	14,615
Asset Management & Custody Banks – 1.4%		
Northern Trust Corporation	267	16,506
Brewers – 2.0%		
Anheuser-Busch InBev S.A., ADR	220	23,411
Broadcasting – 1.6%		
CBS Corporation, Class B	284	18,102
Cable & Satellite – 2.6%		
Comcast Corporation, Class A	262	13,625
Time Warner Cable Inc.	130	17,548
		<u>31,173</u>
Communications Equipment – 1.1%		
Cisco Systems, Inc.	590	13,239
Computer Hardware – 1.4%		
Apple Inc.	29	16,328
Construction & Farm Machinery & Heavy Trucks – 1.4%		
Cummins Inc.	118	16,620
Distillers & Vintners – 2.2%		
Brown-Forman Corporation, Class B	237	17,879
Constellation Brands, Inc. (A)	129	9,044
		<u>26,923</u>
Diversified Chemicals – 2.6%		
Dow Chemical Company (The)	385	17,099
PPG Industries, Inc.	67	12,764
		<u>29,863</u>
Electrical Components & Equipment – 1.4%		
Rockwell Automation, Inc.	136	16,093
Fertilizers & Agricultural Chemicals – 0.9%		
Monsanto Company	94	10,979
Health Care Equipment – 1.3%		
Covidien plc	214	14,601

COMMON STOCKS (Continued)	Shares	Value
Home Improvement Retail – 1.5%		
Home Depot, Inc. (The)	213	\$17,538
Hotels, Resorts & Cruise Lines – 1.2%		
Hyatt Hotels Corporation, Class A (A)	273	13,522
Household Products – 1.2%		
Colgate-Palmolive Company	209	13,642
Industrial Conglomerates – 1.3%		
3M Company	107	14,965
Industrial Machinery – 3.1%		
Pall Corporation	193	16,430
Pentair, Inc.	255	19,821
		<u>36,251</u>
Integrated Oil & Gas – 1.1%		
Exxon Mobil Corporation	129	13,055
Internet Retail – 1.5%		
Amazon.com, Inc. (A)	45	17,746
IT Consulting & Other Services – 1.4%		
Cognizant Technology Solutions Corporation, Class A (A)	172	17,339
Managed Health Care – 1.0%		
UnitedHealth Group Incorporated	150	11,272
Motorcycle Manufacturers – 1.6%		
Harley-Davidson, Inc.	263	18,217
Movies & Entertainment – 1.4%		
Twenty-First Century Fox, Inc.	468	16,207
Multi-Line Insurance – 1.4%		
American International Group, Inc.	321	16,377
Oil & Gas Equipment & Services – 2.7%		
National Oilwell Varco, Inc.	212	16,837
Schlumberger Limited	157	14,174
		<u>31,011</u>
Oil & Gas Exploration & Production – 2.1%		
Cabot Oil & Gas Corporation	197	7,628
ConocoPhillips	239	16,864
		<u>24,492</u>
Oil & Gas Refining & Marketing – 1.5%		
Phillips 66	227	17,489
Oil & Gas Storage & Transportation – 1.4%		
Plains GP Holdings, L.P., Class A (A)	267	7,150

COMMON STOCKS (Continued)	Shares	Value
Oil & Gas Storage & Transportation (Continued)		
Regency Energy Partners LP	334	\$ 8,758
		<u>15,908</u>
Other Diversified Financial Services – 3.4%		
Citigroup Inc.	369	19,203
JPMorgan Chase & Co.	326	19,076
		<u>38,279</u>
Packaged Foods & Meats – 1.2%		
Mead Johnson Nutrition Company	165	13,787
Personal Products – 1.6%		
Estee Lauder Companies, Inc. (The), Class A	240	18,092
Pharmaceuticals – 2.7%		
GlaxoSmithKline plc, ADR	272	14,501
Johnson & Johnson	191	17,530
		<u>32,031</u>
Property & Casualty Insurance – 1.1%		
Travelers Companies, Inc. (The)	143	12,911
Publishing – 0.9%		
Pearson plc (B)	475	10,557
Railroads – 1.4%		
Union Pacific Corporation	99	16,649
Regional Banks – 1.7%		
PNC Financial Services Group, Inc. (The)	260	20,132
Research & Consulting Services – 0.7%		
Verisk Analytics, Inc., Class A (A)	125	8,235
Restaurants – 0.9%		
Starbucks Corporation	130	10,222
Semiconductor Equipment – 1.5%		
Applied Materials, Inc.	967	17,104
Semiconductors – 1.2%		
Microchip Technology Incorporated	309	13,814
Specialty Chemicals – 0.7%		
Sherwin-Williams Company (The)	46	8,349
TOTAL COMMON STOCKS – 72.2%		\$841,790
(Cost: \$578,628)		

SCHEDULE OF INVESTMENTS

Continental Income Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

CORPORATE DEBT SECURITIES	Principal	Value	CORPORATE DEBT SECURITIES (Continued)	Principal	Value	CORPORATE DEBT SECURITIES (Continued)	Principal	Value
Aerospace & Defense – 0.2%			Brewers – 0.2%			Distillers & Vintners – 0.4%		
General Dynamics Corporation,			Heineken N.V.,			Beam Inc.:		
1.000%, 11–15–17	\$ 1,000	\$ 969	1.400%, 10–1–17 (C) ...	\$ 750	\$ 735	1.875%, 5–15–17	\$ 900	\$ 898
Northrop Grumman Corporation,			SABMiller Holdings Inc.,			1.750%, 6–15–18	750	731
1.750%, 6–1–18	950	926	2.200%, 8–1–18 (C)	1,800	1,797	Brown-Forman Corporation,		
		<u>1,895</u>			<u>2,532</u>	1.000%, 1–15–18	1,000	964
Apparel Retail – 0.3%			Broadcasting – 0.1%			Constellation Brands, Inc.,		
Limited Brands, Inc.:			Discovery Communications, LLC,			3.750%, 5–1–21	2,322	2,182
6.625%, 4–1–21	2,915	3,198	3.300%, 5–15–22	900	851			<u>4,775</u>
5.625%, 2–15–22	744	761				Distributors – 0.0%		
		<u>3,959</u>	Cable & Satellite – 0.2%			LKQ Corporation,		
Apparel, Accessories & Luxury Goods – 0.2%			DIRECTV Holdings LLC,			4.750%, 5–15–23 (C) ...	607	565
LVMH Moët Hennessy – Louis Vuitton,			2.400%, 3–15–17	750	763			
1.625%, 6–29–17 (C) ...	2,000	1,992	DIRECTV Holdings LLC and DIRECTV Financing Co., Inc.,			Diversified Banks – 2.2%		
			3.500%, 3–1–16	500	525	Bank of America Corporation:		
Asset Management & Custody Banks – 0.2%			Pearson Funding Five plc,			1.066%, 3–22–16 (D) ...	2,000	2,014
Ares Capital Corporation,			3.250%, 5–8–23 (C)	800	720	2.000%, 1–1–18	2,100	2,095
4.875%, 11–30–18	2,000	2,046			<u>2,008</u>	Bank of New York Mellon Corporation (The):		
			Communications Equipment – 0.0%			1.500%, 1–31–14	1,250	1,251
Auto Parts & Equipment – 0.1%			Cisco Systems, Inc.,			2.100%, 1–15–19	3,500	3,468
Delphi Corporation,			2.900%, 11–17–14	500	511	Bank of Nova Scotia (The):		
5.000%, 2–15–23	808	831				1.450%, 4–25–18	2,000	1,943
			Consumer Finance – 1.2%			2.050%, 10–30–18	3,150	3,119
Automobile Manufacturers – 1.0%			American Express Credit Corporation,			Barclays Bank plc,		
Ford Motor Company, Convertible,			2.125%, 7–27–18	1,150	1,151	2.375%, 1–13–14	600	600
4.250%, 11–15–16	4,000	7,379	American Honda Finance Corporation:			BNP Paribas,		
Hyundai Capital America,			0.612%, 5–26–16 (C)(D) .	1,000	1,002	2.700%, 8–20–18	2,000	2,036
2.875%, 8–9–18 (C)	1,200	1,204	2.125%, 10–10–18	1,200	1,194	BNP Paribas S.A.,		
Toyota Motor Credit Corporation:			Capital One Bank USA N.A.,			5.186%, 6–29–49 (C)(D) .	2,200	2,247
0.529%, 5–17–16 (D) ...	1,000	1,003	2.150%, 11–21–18	1,500	1,491	National Australia Bank Ltd.:		
2.050%, 1–12–17	500	511	Capital One Financial Corporation,			0.900%, 1–20–16	500	500
2.000%, 10–24–18	2,000	1,998	1.000%, 11–6–15	1,000	1,000	2.300%, 7–25–18	2,000	2,012
		<u>12,095</u>	Charles Schwab Corporation (The),			Nordea Bank AB,		
Banking – 1.2%			2.200%, 7–25–18	700	702	1.625%, 5–15–18 (C) ...	2,990	2,920
BB&T Corporation,			Discover Bank,			Societe Generale,		
1.450%, 1–12–18	2,200	2,141	2.000%, 2–21–18	1,650	1,620	2.625%, 10–1–18	2,000	2,017
Commonwealth Bank of Australia New York,			Ford Motor Credit Company LLC,			Wells Fargo & Company,		
1.950%, 3–16–15	1,350	1,373	3.875%, 1–15–15	500	516	1.500%, 1–16–18	750	745
HSBC USA Inc.,			General Motors Financial Company, Inc.,					<u>26,967</u>
1.625%, 1–16–18	1,200	1,183	2.750%, 5–15–16 (C) ...	966	978	Diversified Capital Markets – 0.1%		
Swedbank AB (publ),			SLM Corporation,			Deutsche Bank AG,		
1.750%, 3–12–18 (C) ...	3,270	3,211	4.875%, 6–17–19	1,500	1,494	3.450%, 3–30–15	750	774
Wells Fargo & Company,			Total System Services, Inc.,					
2.150%, 1–15–19	1,500	1,494	2.375%, 6–1–18	2,400	2,335	Diversified Chemicals – 0.2%		
Westpac Banking Corporation,			USAA Capital Corporation,			Airgas, Inc.,		
2.250%, 7–30–18	4,000	4,013	1.050%, 9–30–14 (C) ...	500	502	1.650%, 2–15–18	1,250	1,218
		<u>13,415</u>			<u>13,985</u>	E.I. du Pont de Nemours and Company,		
Biotechnology – 0.2%			Data Processing & Outsourced Services – 0.1%			3.250%, 1–15–15	1,000	1,029
Amgen Inc.,			Fidelity National Financial, Inc.,					<u>2,247</u>
2.125%, 5–15–17	2,250	2,278	6.600%, 5–15–17	1,300	1,451	Diversified Metals & Mining – 0.1%		
						Freeport-McMoRan Copper & Gold Inc.,		
						2.375%, 3–15–18	400	399

SCHEDULE OF INVESTMENTS

Continental Income Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

CORPORATE DEBT

SECURITIES (Continued)

	Principal	Value
Diversified Metals & Mining (Continued)		
Teck Resources, 3.000%, 3-1-19	\$1,200	\$1,203
		<u>1,602</u>
Drug Retail – 0.2%		
CVS Caremark Corporation, 3.250%, 5-18-15	2,000	2,067
Education Services – 0.0%		
Yale University, 2.900%, 10-15-14	498	508
Electric Utilities – 0.4%		
PPL Energy Supply, LLC, 4.600%, 12-15-21	2,100	2,015
Southern Company, (The), 2.450%, 9-1-18	2,050	2,081
		<u>4,096</u>
Environmental & Facilities Services – 0.4%		
Ecolab Inc., 1.450%, 12-8-17	3,925	3,834
Republic Services, Inc., 5.000%, 3-1-20	500	548
		<u>4,382</u>
Fertilizers & Agricultural Chemicals – 0.0%		
Monsanto Company, 2.750%, 4-15-16	500	521
Finance – Other – 0.1%		
Intercontinental Exchange Group, Inc., 2.500%, 10-15-18	1,200	1,208
Food Distributors – 0.4%		
Campbell Soup Company, 2.500%, 8-2-22	900	793
ConAgra Foods, Inc.: 1.300%, 1-25-16	250	250
1.900%, 1-25-18	2,498	2,451
General Mills, Inc., 0.537%, 1-29-16 (D)	250	250
Kroger Co. (The), 2.300%, 1-15-19	1,500	1,492
		<u>5,236</u>
Health Care Equipment – 0.0%		
Stryker Corporation, 2.000%, 9-30-16	500	514
Health Care Services – 0.2%		
Quest Diagnostics Incorporated, 3.200%, 4-1-16	2,000	2,074
Health Care Supplies – 0.1%		
DENTSPLY International Inc., 2.750%, 8-15-16	750	772
Mallinckrodt International Finance S.A., 3.500%, 4-15-18 (C)	250	245
		<u>1,017</u>

CORPORATE DEBT

SECURITIES (Continued)

	Principal	Value
Health Care Supply – 0.2%		
C.R. Bard, Inc., 1.375%, 1-15-18	\$2,800	\$2,700
Homebuilding – 0.1%		
Toll Brothers Finance Corp., 4.375%, 4-15-23	1,000	928
Hotels, Resorts & Cruise Lines – 0.0%		
Hyatt Hotels Corporation, 3.375%, 7-15-23	250	229
Household Products – 0.0%		
Church & Dwight Co., Inc., 2.875%, 10-1-22	250	231
Hypermarkets & Super Centers – 0.1%		
Wal-Mart Stores, Inc., 2.875%, 4-1-15	875	902
Independent Finance – 0.0%		
Fidelity National Information Services, Inc., 2.000%, 4-15-18	500	486
Industrial Conglomerates – 0.1%		
General Electric Capital Corporation, 0.959%, 4-2-18 (D)	1,500	1,512
Industrial Gases – 0.4%		
Praxair, Inc.: 1.250%, 11-7-18	3,726	3,560
3.000%, 9-1-21	500	490
		<u>4,050</u>
Industrial Machinery – 0.5%		
Eaton Corporation, 0.573%, 6-16-14 (D)	750	751
Ingersoll-Rand Global Holding Company Limited, 2.875%, 1-15-19 (C)	4,105	4,043
		<u>4,794</u>
Integrated Telecommunication Services – 0.4%		
Verizon Communications Inc.: 3.650%, 9-14-18	1,600	1,693
5.150%, 9-15-23	2,500	2,680
		<u>4,373</u>
Internet Retail – 0.1%		
Amazon.com, Inc., 0.650%, 11-27-15	750	750
Investment Banking & Brokerage – 0.4%		
Goldman Sachs Group, Inc. (The): 1.600%, 11-23-15	1,000	1,011
2.900%, 7-19-18	1,200	1,221
Morgan Stanley, 2.125%, 4-25-18	2,000	1,981
		<u>4,213</u>

CORPORATE DEBT

SECURITIES (Continued)

	Principal	Value
IT Consulting & Other Services – 0.2%		
Baidu, Inc., 3.250%, 8-6-18	\$ 700	\$ 707
International Business Machines Corporation, 0.222%, 2-4-15 (D)		
	1,250	1,249
		<u>1,956</u>
Leisure Products – 0.0%		
Mattel, Inc., 2.500%, 11-1-16	500	513
Life & Health Insurance – 0.5%		
Metropolitan Life Global Funding I:		
2.000%, 1-10-14 (C)	1,000	1,000
5.125%, 6-10-14 (C)	1,500	1,531
2.500%, 9-29-15 (C)	1,500	1,545
Prudential Financial, Inc.:		
4.750%, 9-17-15	1,000	1,066
2.300%, 8-15-18	800	795
		<u>5,937</u>
Managed Health Care – 0.4%		
WellPoint, Inc., 1.875%, 1-15-18	4,800	4,744
Metal & Glass Containers – 0.1%		
BlueScope Steel (Finance) Limited and BlueScope Steel Finance (USA) LLC, 7.125%, 5-1-18 (C)		
	1,164	1,219
Movies & Entertainment – 0.2%		
News American Incorporated, 3.000%, 9-15-22		
	2,000	1,877
Viacom Inc., 2.500%, 9-1-18	800	806
		<u>2,683</u>
Multi-Utilities – 0.1%		
Origin Energy Finance Limited, 3.500%, 10-9-18 (C)		
	1,200	1,205
Office Electronics – 0.1%		
Xerox Corporation, 4.250%, 2-15-15	1,000	1,037
Oil & Gas – 0.8%		
Buckeye Partners, L.P., 2.650%, 11-15-18	3,300	3,250
ConocoPhillips Company, 1.050%, 12-15-17	3,200	3,121
Devon Energy Corporation, 2.250%, 12-15-18	1,500	1,483
Total Capital Canada Ltd., 1.450%, 1-15-18	1,450	1,433
		<u>9,287</u>
Oil & Gas Drilling – 0.1%		
Transocean Inc., 2.500%, 10-15-17	1,500	1,515

SCHEDULE OF INVESTMENTS

Continental Income Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

CORPORATE DEBT

SECURITIES (Continued)	Principal	Value
Oil & Gas Equipment & Services – 0.1%		
National Oilwell Varco, Inc., 1.350%, 12-1-17	\$ 250	\$ 246
Schlumberger Investment S.A. (GTD by Schlumberger Ltd.), 1.250%, 8-1-17 (C)	500	489
Schlumberger S.A. (GTD by Schlumberger Ltd.), 2.650%, 1-15-16 (C)	500	516
		<u>1,251</u>
Oil & Gas Exploration & Production – 0.4%		
BP Capital Markets plc (GTD by BP plc), 2.241%, 9-26-18	2,850	2,857
EOG Resources, Inc., 2.500%, 2-1-16	1,000	1,032
ONEOK Partners, L.P., 3.200%, 9-15-18	700	715
		<u>4,604</u>
Oil & Gas Storage & Transportation – 0.2%		
Kinder Morgan Energy Partners, L.P., 2.650%, 2-1-19	1,850	1,828
		<u>1,828</u>
Other Diversified Financial Services – 1.0%		
BHP Billiton Finance (USA) Limited (GTD by BHP Billiton plc and BHP Billiton Limited), 2.050%, 9-30-18	700	700
Citigroup Inc., 1.250%, 1-15-16	250	251
Daimler Finance North America LLC, 2.375%, 8-1-18 (C)	2,250	2,243
JPMorgan Chase & Co.: 0.689%, 4-23-15 (D)	2,000	2,004
1.100%, 10-15-15	1,500	1,506
3.450%, 3-1-16	2,000	2,097
3.150%, 7-5-16	750	786
7.900%, 4-29-49 (D)	1,000	1,103
Total Capital, 2.125%, 8-10-18	1,200	1,204
		<u>11,894</u>
Packaged Foods & Meats – 0.4%		
Kellogg Company, 4.450%, 5-30-16	1,000	1,079
Kraft Foods Inc., 4.125%, 2-9-16	2,000	2,120
Unilever Capital Corporation, 2.750%, 2-10-16	1,000	1,040
		<u>4,239</u>
Personal Products – 0.2%		
Estee Lauder Companies, Inc. (The), 2.350%, 8-15-22	1,200	1,084

CORPORATE DEBT

SECURITIES (Continued)	Principal	Value
Personal Products (Continued)		
Kimberly-Clark Corporation, 0.361%, 5-15-16 (D)	\$ 750	\$ 750
		<u>1,834</u>
Pharmaceuticals – 0.5%		
Forest Laboratories, Inc., 5.000%, 12-15-21 (C)	5,000	5,018
		<u>5,018</u>
Property & Casualty Insurance – 0.1%		
Berkshire Hathaway Finance Corporation, 2.000%, 8-15-18	1,200	1,200
Berkshire Hathaway Inc., 1.550%, 2-9-18	250	247
		<u>1,447</u>
Railroads – 0.1%		
Burlington Northern Santa Fe, LLC, 3.050%, 3-15-22	900	852
Kansas City Southern de Mexico, S.A. de C.V., 2.350%, 5-15-20	800	744
		<u>1,596</u>
Regional Banks – 0.3%		
Canadian Imperial Bank of Commerce, 0.900%, 10-1-15	750	754
PNC Bank, N.A., 0.800%, 1-28-16	250	249
SunTrust Banks, Inc., 2.350%, 11-1-18	2,800	2,784
		<u>3,787</u>
Restaurants – 0.0%		
YUM! Brands, Inc., 4.250%, 9-15-15	500	528
		<u>528</u>
Retail Stores – 0.1%		
Dollar General Corporation: 4.125%, 7-15-17	450	478
1.875%, 4-15-18	750	725
		<u>1,203</u>
Semiconductors – 0.1%		
Broadcom Corporation, 2.700%, 11-1-18	750	759
		<u>759</u>
Soft Drinks – 0.5%		
PepsiCo, Inc.: 0.700%, 8-13-15	1,500	1,502
2.250%, 1-7-19	4,750	4,762
		<u>6,264</u>
Specialized Finance – 0.1%		
PACCAR Financial Corp., 0.378%, 5-5-15 (D)	750	751
		<u>751</u>
Specialty Chemicals – 0.1%		
RPM International Inc., 3.450%, 11-15-22	750	684

CORPORATE DEBT

SECURITIES (Continued)	Principal	Value
Specialty Chemicals (Continued)		
Sherwin-Williams Company (The), 1.350%, 12-15-17	\$ 250	\$ 243
		<u>927</u>
Systems Software – 0.2%		
CA, Inc., 2.875%, 8-15-18	2,000	1,994
		<u>1,994</u>
Trucking – 0.1%		
Ryder System, Inc.: 2.450%, 11-15-18	1,000	989
2.350%, 2-26-19	600	587
		<u>1,576</u>
Wireless – 0.0%		
Virgin Media Finance plc, 4.875%, 2-15-22	298	259
		<u>259</u>
Wireless Telecommunication Service – 0.6%		
America Movil, S.A.B. de C.V., 3.625%, 3-30-15	2,500	2,581
American Tower Corporation: 4.625%, 4-1-15	1,500	1,569
4.700%, 3-15-22	1,140	1,138
Crown Castle International Corp., 5.250%, 1-15-23	1,171	1,148
		<u>6,436</u>
TOTAL CORPORATE DEBT SECURITIES – 19.9%		\$231,861
(Cost: \$227,511)		
OTHER GOVERNMENT SECURITIES		
Canada – 0.0%		
TransCanada PipeLines Ltd., 0.750%, 1-15-16	250	249
		<u>249</u>
Supranational – 0.2%		
International Bank for Reconstruction and Development, 2.375%, 5-26-15	1,650	1,698
		<u>1,698</u>
TOTAL OTHER GOVERNMENT SECURITIES – 0.2%		\$ 1,947
(Cost: \$1,897)		

SCHEDULE OF INVESTMENTS

Continental Income Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

UNITED STATES GOVERNMENT AGENCY OBLIGATIONS

	Principal	Value
Agency Obligations – 0.2%		
National Archives Facility		
Trust,		
8.500%, 9–1–19	\$1,999	\$2,396
Mortgage-Backed Obligations – 0.2%		
Federal Home Loan		
Mortgage Corporation		
Fixed Rate Participation		
Certificates:		
6.500%, 12–1–31	67	75
6.500%, 1–1–32	80	91
Federal National Mortgage		
Association Fixed Rate		
Pass-Through Certificates:		
4.500%, 7–1–18	478	508
4.500%, 9–1–19	1,060	1,127
Government National		
Mortgage Association		
Fixed Rate Pass-Through		
Certificates:		
4.000%, 9–15–18	535	566
6.500%, 8–15–28	61	68
		<u>2,435</u>
TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 0.4%		\$4,831

(Cost: \$4,275)

UNITED STATES GOVERNMENT OBLIGATIONS

	Principal	Value
Treasury Obligations – 3.2%		
United States Treasury Notes:		
4.250%, 11–15–14	\$10,000	\$10,353
4.250%, 8–15–15	15,000	15,957
0.375%, 1–15–16	3,000	2,999
0.625%, 7–15–16	3,500	3,504
0.875%, 1–31–17	4,000	4,004
		<u>36,817</u>
TOTAL UNITED STATES GOVERNMENT OBLIGATIONS – 3.2%		\$36,817

(Cost: \$35,449)

SHORT-TERM SECURITIES

Commercial Paper – 3.5%		
Bank of Nova Scotia,		
0.190%, 3–26–14 (E) ..	5,000	4,998
Danaher Corporation,		
0.110%, 1–17–14 (E) ..	5,042	5,041
Exxon Mobil Corporation,		
0.020%, 1–6–14 (E) ...	5,000	5,000
Federal Home Loan Bank,		
0.050%, 2–24–14 (E) ..	3,000	3,000
General Mills, Inc.,		
0.140%, 1–6–14 (E) ...	5,000	5,000

SHORT-TERM SECURITIES (Continued)

	Principal	Value
Commercial Paper (Continued)		
Kellogg Co.,		
0.130%, 1–8–14 (E) .. \$	3,369	\$ 3,369
St. Jude Medical, Inc.,		
0.160%, 1–24–14 (E) ..	4,000	4,000
Wal-Mart Stores, Inc.,		
0.070%, 1–7–14 (E) ..	10,000	9,999
		<u>40,407</u>

Master Note – 0.3%

Toyota Motor Credit		
Corporation,		
0.091%, 1–7–14 (F) ..	3,409	3,409

**TOTAL SHORT-TERM
SECURITIES – 3.8%** **\$ 43,816**

(Cost: \$43,817)

**TOTAL INVESTMENT
SECURITIES – 99.7%** **\$1,161,062**

(Cost: \$891,577)

**CASH AND OTHER ASSETS,
NET OF LIABILITIES – 0.3%** **2,921**

NET ASSETS – 100.0% **\$1,163,983**

Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Listed on an exchange outside the United States.

(C) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2013, the total value of these securities amounted to \$36,927 or 3.2% of net assets.

(D) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013.

(E) Rate shown is the yield to maturity at December 31, 2013.

(F) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks	\$841,790	\$ —	\$ —
Corporate Debt Securities	—	231,861	—
Other Government Securities	—	1,947	—
United States Government Agency Obligations	—	4,831	—
United States Government Obligations	—	36,817	—
Short-Term Securities	—	43,816	—
Total	\$841,790	\$319,272	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

GTD = Guaranteed

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Core Investment Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	99.1%
Consumer Discretionary	25.1%
Industrials	16.4%
Information Technology	16.0%
Financials	10.4%
Health Care	9.8%
Consumer Staples	9.0%
Energy	7.2%
Materials	5.2%
Cash and Cash Equivalents	0.9%

Lipper Rankings

Category: Lipper Large-Cap Core Funds	Rank	Percentile
1 Year	274/918	30
3 Year	105/829	13
5 Year	89/764	12
10 Year	21/516	5

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector
Canadian Pacific Railway Limited	Industrials
Bank of America Corporation	Financials
American International Group, Inc.	Financials
Pentair, Inc.	Industrials
Citigroup Inc.	Financials
Anheuser-Busch InBev S.A., ADR	Consumer Staples
Applied Materials, Inc.	Information Technology
MasterCard Incorporated, Class A	Information Technology
Harley-Davidson, Inc.	Consumer Discretionary
Phillips 66	Energy

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Core Investment Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Apparel Retail – 0.7%		
Limited Brands, Inc.	495	\$ 30,628
Apparel, Accessories & Luxury Goods – 2.0%		
Polo Ralph Lauren Corporation	478	84,436
Application Software – 2.6%		
Adobe Systems Incorporated (A)	1,790	107,179
Biotechnology – 3.0%		
Alexion Pharmaceuticals, Inc. (A)	525	69,816
Biogen Idec Inc. (A)	196	54,943
		<u>124,759</u>
Brewers – 3.1%		
Anheuser-Busch InBev S.A., ADR	1,214	129,221
Broadcasting – 2.7%		
CBS Corporation, Class B ..	1,755	111,860
Cable & Satellite – 5.1%		
Comcast Corporation, Class A	2,090	108,591
Time Warner Cable Inc.	732	99,240
		<u>207,831</u>
Communications Equipment – 1.5%		
F5 Networks, Inc. (A)	464	42,150
Nokia Corporation, Series A, ADR	2,591	21,010
		<u>63,160</u>
Construction & Farm Machinery & Heavy Trucks – 2.6%		
Cummins Inc.	757	106,728
Consumer Electronics – 1.4%		
Harman International Industries, Incorporated	727	59,538
Data Processing & Outsourced Services – 3.0%		
MasterCard Incorporated, Class A	150	125,068
Diversified Banks – 3.8%		
Bank of America Corporation	10,085	157,021
Diversified Chemicals – 3.7%		
Dow Chemical Company (The)	2,329	103,426
PPG Industries, Inc.	262	49,672
		<u>153,098</u>
Footwear – 1.1%		
NIKE, Inc., Class B	590	46,366

COMMON STOCKS (Continued)	Shares	Value
Home Improvement Retail – 1.8%		
Home Depot, Inc. (The)	927	\$ 76,304
Hypermarkets & Super Centers – 1.6%		
Costco Wholesale Corporation	575	68,431
Industrial Machinery – 6.1%		
Pall Corporation	1,394	118,944
Pentair, Inc.	1,722	133,716
		<u>252,660</u>
Internet Retail – 1.2%		
Amazon.com, Inc. (A)	126	50,248
Internet Software & Services – 2.7%		
Facebook, Inc., Class A (A)	1,515	82,815
LinkedIn Corporation, Class A (A)	145	31,419
		<u>114,234</u>
IT Consulting & Other Services – 0.9%		
Teradata Corporation (A) ...	829	37,698
Motorcycle Manufacturers – 3.0%		
Harley-Davidson, Inc.	1,799	124,585
Movies & Entertainment – 2.6%		
Twenty-First Century Fox, Inc.	3,172	109,758
Multi-Line Insurance – 3.4%		
American International Group, Inc.	2,773	141,541
Oil & Gas Equipment & Services – 2.3%		
National Oilwell Varco, Inc.	1,219	96,939
Oil & Gas Exploration & Production – 1.9%		
Noble Energy, Inc.	1,179	80,288
Oil & Gas Refining & Marketing – 3.0%		
Phillips 66	1,609	124,127
Other Diversified Financial Services – 3.2%		
Citigroup Inc.	2,554	133,099
Packaged Foods & Meats – 1.5%		
Mead Johnson Nutrition Company	735	61,538
Pharmaceuticals – 6.8%		
Bristol-Myers Squibb Company	1,880	99,907
Pfizer Inc.	2,973	91,075
Shire Pharmaceuticals Group plc, ADR	665	93,887
		<u>284,869</u>

COMMON STOCKS (Continued)	Shares	Value
Railroads – 6.0%		
Canadian Pacific Railway Limited	1,043	\$ 157,843
Kansas City Southern ..	788	97,553
		<u>255,396</u>
Research & Consulting Services – 1.7%		
Nielsen Holdings N.V.	1,506	69,116
Restaurants – 3.5%		
Chipotle Mexican Grill, Inc., Class A (A)	143	76,134
YUM! Brands, Inc.	902	68,178
		<u>144,312</u>
Semiconductor Equipment – 3.1%		
Applied Materials, Inc.	7,270	128,613
Semiconductors – 2.2%		
Texas Instruments Incorporated	2,075	91,126
Specialty Chemicals – 1.5%		
LyondellBasell Industries N.V., Class A	797	64,007
Tobacco – 2.8%		
Philip Morris International Inc.	1,325	115,452
TOTAL COMMON STOCKS – 99.1%		\$4,131,234
(Cost: \$2,953,600)		
SHORT-TERM SECURITIES	Principal	
Commercial Paper – 0.9%		
Bemis Company, Inc., 0.250%, 1–24–14 (B) ..	\$ 2,000	2,000
Coca-Cola Company (The), 0.050%, 1–3–14 (B) ...	10,000	9,999
Exxon Mobil Corporation, 0.020%, 1–6–14 (B) ...	1,697	1,697
McCormick & Co. Inc., 0.140%, 1–10–14 (B) ..	6,000	6,000
Unilever Capital Corporation (GTD by Unilever N.V.), 0.020%, 1–6–14 (B) ...	2,500	2,500
Wal-Mart Stores, Inc., 0.060%, 1–6–14 (B) ...	10,000	10,000
Wisconsin Gas LLC, 0.080%, 1–2–14 (B) ...	5,701	5,701
		<u>37,897</u>

SCHEDULE OF INVESTMENTS

Core Investment Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

SHORT-TERM

SECURITIES (Continued)	Principal	Value
Master Note – 0.0%		
Toyota Motor Credit Corporation, 0.091%, 1-7-14 (C) ..	\$579	\$ 579
TOTAL SHORT-TERM SECURITIES – 0.9%		\$ 38,476
(Cost: \$38,476)		
TOTAL INVESTMENT SECURITIES – 100.0%		\$4,169,710
(Cost: \$2,992,076)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – 0.0%		(1,078)
NET ASSETS – 100.0%		\$4,168,632

Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Rate shown is the yield to maturity at December 31, 2013.

(C) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks			
Consumer Discretionary	\$1,045,866	\$ —	\$ —
Consumer Staples	374,642	—	—
Energy	301,354	—	—
Financials	431,661	—	—
Health Care	409,628	—	—
Industrials	683,900	—	—
Information Technology	667,078	—	—
Materials	217,105	—	—
Total Common Stocks	\$4,131,234	\$ —	\$ —
Short-Term Securities	—	38,476	—
Total	\$4,131,234	\$38,476	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

GTD = Guaranteed

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Dividend Opportunities Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	97.7%
Industrials	16.5%
Information Technology	15.3%
Financials	13.6%
Consumer Discretionary	13.6%
Energy	12.0%
Consumer Staples	11.4%
Health Care	10.4%
Materials	4.9%
Cash and Cash Equivalents	2.3%

Lipper Rankings

Category: Lipper Equity Income Funds	Rank	Percentile
1 Year	133/398	34
3 Year	266/295	90
5 Year	225/264	85
10 Year	83/143	58

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector
JPMorgan Chase & Co.	Financials
Microchip Technology Incorporated	Information Technology
Anheuser-Busch InBev S.A., ADR	Consumer Staples
Schlumberger Limited	Energy
Bristol-Myers Squibb Company	Health Care
Union Pacific Corporation	Industrials
Home Depot, Inc. (The)	Consumer Discretionary
Philip Morris International Inc.	Consumer Staples
Comcast Corporation, Class A	Consumer Discretionary
Wells Fargo & Company	Financials

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Dividend Opportunities Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Advertising – 1.7%		
Omnicom Group Inc. (A)	167	\$12,435
Aerospace & Defense – 6.3%		
Boeing Company (The)	117	15,955
Honeywell International Inc.	172	15,674
Lockheed Martin Corporation	69	10,190
Meggitt plc (B)	393	3,429
		<u>45,248</u>
Apparel Retail – 2.2%		
Limited Brands, Inc.	259	16,007
Asset Management & Custody Banks – 1.3%		
Northern Trust Corporation . .	148	9,150
Auto Parts & Equipment – 0.8%		
Allison Transmission Holdings, Inc.	218	6,019
Brewers – 3.4%		
Anheuser-Busch InBev S.A., ADR	222	23,661
Cable & Satellite – 4.0%		
Comcast Corporation, Class A	335	17,429
Time Warner Cable Inc.	79	10,684
		<u>28,113</u>
Casinos & Gaming – 2.3%		
Wynn Resorts, Limited	84	16,342
Communications Equipment – 1.6%		
Cisco Systems, Inc.	505	11,346
Computer Hardware – 1.6%		
Apple Inc.	20	11,306
Construction & Farm Machinery & Heavy Trucks – 1.3%		
Caterpillar Inc.	101	9,145
Consumer Finance – 1.6%		
Capital One Financial Corporation	152	11,626
Data Processing & Outsourced Services – 3.2%		
Paychex, Inc.	200	9,101
Visa Inc., Class A	61	13,584
		<u>22,685</u>
Distillers & Vintners – 2.3%		
Diageo plc, ADR	126	16,711
Diversified Banks – 2.4%		
Wells Fargo & Company	381	17,309
Diversified Chemicals – 3.7%		
Dow Chemical Company (The)	264	11,742
PPG Industries, Inc.	76	14,319
		<u>26,061</u>

COMMON STOCKS (Continued)	Shares	Value
Home Improvement Retail – 2.6%		
Home Depot, Inc. (The)	226	\$18,568
Household Products – 1.4%		
Colgate-Palmolive Company	157	10,244
Industrial Machinery – 3.8%		
Eaton Corporation	150	11,403
Pentair, Inc.	201	15,639
		<u>27,042</u>
Integrated Oil & Gas – 2.9%		
Exxon Mobil Corporation	91	9,235
Occidental Petroleum Corporation	120	11,416
		<u>20,651</u>
Investment Banking & Brokerage – 2.3%		
Goldman Sachs Group, Inc. (The)	93	16,397
Oil & Gas Equipment & Services – 5.1%		
National Oilwell Varco, Inc.	186	14,753
Schlumberger Limited	239	21,506
		<u>36,259</u>
Oil & Gas Storage & Transportation – 4.0%		
Energy Transfer Equity, L.P.	95	7,802
MarkWest Energy Partners, L.P.	179	11,854
Phillips 66 Partners LP	71	2,704
Plains GP Holdings, L.P., Class A (A)	239	6,398
		<u>28,758</u>
Other Diversified Financial Services – 3.8%		
JPMorgan Chase & Co.	456	26,665
Packaged Foods & Meats – 1.8%		
Mead Johnson Nutrition Company	154	12,870
Pharmaceuticals – 10.4%		
Bristol-Myers Squibb Company	375	19,920
GlaxoSmithKline plc, ADR . . .	226	12,082
Johnson & Johnson	168	15,346
Merck & Co., Inc.	201	10,063
Pfizer Inc.	553	16,951
		<u>74,362</u>
Property & Casualty Insurance – 2.2%		
ACE Limited	154	15,954
Railroads – 3.9%		
Kansas City Southern	68	8,365
Union Pacific Corporation . . .	118	19,866
		<u>28,231</u>

COMMON STOCKS (Continued)	Shares	Value
Research & Consulting Services – 1.2%		
Nielsen Holdings N.V.	190	\$ 8,735
Semiconductor Equipment – 2.1%		
Applied Materials, Inc.	829	14,673
Semiconductors – 6.8%		
Analog Devices, Inc.	231	11,747
Microchip Technology Incorporated	571	25,551
Texas Instruments Incorporated	278	12,189
		<u>49,487</u>
Specialty Chemicals – 1.2%		
LyondellBasell Industries N.V., Class A	110	8,831
Tobacco – 2.5%		
Philip Morris International Inc.	205	17,897
TOTAL COMMON STOCKS – 97.7%		\$698,788
(Cost: \$462,690)		
SHORT-TERM SECURITIES	Principal	
Commercial Paper – 1.6%		
Nestle Finance International Ltd. (GTD by Nestle S.A.), 0.065%, 1–6–14 (C) . . .	\$4,000	4,000
St. Jude Medical, Inc., 0.180%, 2–3–14 (C) . . .	7,238	7,237
		<u>11,237</u>
Master Note – 0.3%		
Toyota Motor Credit Corporation, 0.091%, 1–7–14 (D) . . .	2,022	2,022
TOTAL SHORT-TERM SECURITIES – 1.9%		\$ 13,259
(Cost: \$13,259)		
TOTAL INVESTMENT SECURITIES – 99.6%		\$712,047
(Cost: \$475,949)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.4%		3,083
NET ASSETS – 100.0%		\$715,130

SCHEDULE OF INVESTMENTS

Dividend Opportunities Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Listed on an exchange outside the United States.

(C) Rate shown is the yield to maturity at December 31, 2013.

(D) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks	\$698,788	\$ —	\$ —
Short-Term Securities	—	13,259	—
Total	<u>\$698,788</u>	<u>\$13,259</u>	<u>\$ —</u>

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

GTD = Guaranteed

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Energy Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	96.9%
Energy	90.6%
Industrials	5.4%
Financials	0.9%
Cash and Cash Equivalents	3.1%

Lipper Rankings

Category: Lipper Natural Resources Funds	Rank	Percentile
1 Year	13/72	18
3 Year	37/64	57
5 Year	31/61	50

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Country Weightings

North America	87.2%
United States	82.1%
Canada	5.1%
Europe	8.3%
Netherlands	4.2%
Other Europe	4.1%
Pacific Basin	0.9%
Bahamas/Caribbean	0.5%
Cash and Cash Equivalents	3.1%

Top 10 Equity Holdings

Company	Sector	Industry
Schlumberger Limited	Energy	Oil & Gas Equipment & Services
Core Laboratories N.V.	Energy	Oil & Gas Equipment & Services
National Oilwell Varco, Inc.	Energy	Oil & Gas Equipment & Services
Halliburton Company	Energy	Oil & Gas Equipment & Services
Cabot Oil & Gas Corporation	Energy	Oil & Gas Exploration & Production
Fluor Corporation	Industrials	Construction & Engineering
EOG Resources, Inc.	Energy	Oil & Gas Exploration & Production
Occidental Petroleum Corporation	Energy	Integrated Oil & Gas
Southwestern Energy Company	Energy	Oil & Gas Exploration & Production
Dril-Quip, Inc.	Energy	Oil & Gas Equipment & Services

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Energy Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Coal & Consumable Fuels – 1.4%		
Cameco Corporation	91	\$ 1,887
Peabody Energy Corporation	81	1,577
		<u>3,464</u>
Construction & Engineering – 2.8%		
Fluor Corporation	87	7,013
		<u>7,013</u>
Industrial Machinery – 1.6%		
Flowserve Corporation	49	3,863
		<u>3,863</u>
Integrated Oil & Gas – 7.7%		
Chevron Corporation	20	2,436
Exxon Mobil Corporation	49	4,944
Hess Corporation	15	1,216
Occidental Petroleum Corporation	66	6,285
Royal Dutch Shell plc, Class A (A)	35	1,249
Suncor Energy Inc.	78	2,720
		<u>18,850</u>
Oil & Gas Drilling – 4.3%		
EnSCO plc	34	1,941
Helmerich & Payne, Inc.	48	4,044
Nabors Industries Ltd.	69	1,164
Patterson-UTI Energy, Inc.	49	1,247
Seadrill Limited	51	2,091
		<u>10,487</u>
Oil & Gas Equipment & Services – 32.0%		
Baker Hughes Incorporated	91	5,009
Basic Energy Services, Inc. (B)	173	2,732
Cameron International Corporation (B)	96	5,727
Core Laboratories N.V.	54	10,273
Dresser-Rand Group Inc. (B)	67	3,992
Dril-Quip, Inc. (B)	53	5,788
FMC Technologies, Inc. (B)	61	3,167
Forum Energy Technologies, Inc. (B)	150	4,236
Frank's International N.V.	42	1,134
Halliburton Company	167	8,483
National Oilwell Varco, Inc.	121	9,599
Schlumberger Limited	114	10,314
Superior Energy Services, Inc.	128	3,402
Weatherford International Ltd. (B)	304	4,702
		<u>78,558</u>

COMMON STOCKS (Continued)	Shares	Value
Oil & Gas Exploration & Production – 27.6%		
Anadarko Petroleum Corporation	45	\$ 3,601
Antero Resources Corporation (B)	44	2,766
Athlon Energy Inc. (B)	80	2,425
Bonanza Creek Energy, Inc. (B)	80	3,484
Cabot Oil & Gas Corporation	200	7,759
Canadian Natural Resources Limited	72	2,450
Cimarex Energy Co.	53	5,607
CNOOC Limited, ADR	12	2,289
Concho Resources Inc. (B)	20	2,203
ConocoPhillips	32	2,275
Continental Resources, Inc. (B)	44	5,002
EOG Resources, Inc.	38	6,361
Gulfport Energy Corporation (B)	58	3,678
Marathon Oil Corporation	64	2,266
Noble Energy, Inc.	83	5,650
Oasis Petroleum LLC (B)	27	1,275
Pioneer Natural Resources Company	13	2,476
Southwestern Energy Company (B)	156	6,145
		<u>67,712</u>
Oil & Gas Refining & Marketing – 7.1%		
Clean Energy Fuels Corp. (B)	99	1,281
Marathon Petroleum Corporation	42	3,834
Marathon Petroleum Corporation, LP	76	3,374
Phillips 66	50	3,849
Tesoro Corporation	42	2,454
Valero Energy Corporation	51	2,578
		<u>17,370</u>
Oil & Gas Storage & Transportation – 10.5%		
El Paso Pipeline Partners, L.P.	90	3,231
Enbridge Inc.	65	2,822
Energy Transfer Equity, L.P.	31	2,505
MarkWest Energy Partners, L.P.	66	4,331
Phillips 66 Partners LP	70	2,649
Plains GP Holdings, L.P., Class A (B)	72	1,925
Regency Energy Partners LP	46	1,211
Targa Resources Corp.	43	3,809

COMMON STOCKS (Continued)	Shares	Value
Oil & Gas Storage & Transportation (Continued)		
Valero Energy Partners LP (B)	19	\$ 670
Williams Companies, Inc. (The)	67	2,573
		<u>25,726</u>
Railroads – 1.0%		
Canadian Pacific Railway Limited	16	2,406
		<u>2,406</u>
Specialized Finance – 0.9%		
CME Group Inc.	29	2,256
		<u>2,256</u>
TOTAL COMMON STOCKS – 96.9%		\$237,705
(Cost: \$152,114)		
SHORT-TERM SECURITIES	Principal	
Commercial Paper – 3.7%		
Emerson Electric Co., 0.090%, 2–27–14 (C)	\$ 4,000	3,999
Sysco Corporation, 0.170%, 1–10–14 (C)	5,000	5,000
		<u>8,999</u>
Master Note – 0.5%		
Toyota Motor Credit Corporation, 0.091%, 1–7–14 (D)	1,273	1,273
		<u>1,273</u>
TOTAL SHORT-TERM SECURITIES – 4.2%		\$ 10,272
(Cost: \$10,272)		
TOTAL INVESTMENT SECURITIES – 101.1%		\$247,977
(Cost: \$162,386)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.1%)		(2,752)
NET ASSETS – 100.0%		\$245,225

Notes to Schedule of Investments

(A) Listed on an exchange outside the United States.

(B) No dividends were paid during the preceding 12 months.

(C) Rate shown is the yield to maturity at December 31, 2013.

(D) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

SCHEDULE OF INVESTMENTS

Energy Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks	\$237,705	\$ —	\$ —
Short-Term Securities	—	10,272	—
Total	<u>\$237,705</u>	<u>\$10,272</u>	<u>\$ —</u>

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronym is used throughout this schedule:

ADR = American Depositary Receipts

Country Diversification

(as a % of net assets)

United States	82.1%
Canada	5.1%
Netherlands	4.2%
Switzerland	1.9%
United Kingdom	1.3%
Other Countries	2.3%
Other+	3.1%

+ Includes cash and cash equivalents and other assets and liabilities

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

International Growth Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	97.7%
Consumer Discretionary	27.5%
Industrials	15.7%
Health Care	15.6%
Financials	13.2%
Information Technology	10.8%
Materials	5.9%
Consumer Staples	4.4%
Energy	2.7%
Telecommunication Services	1.9%
Cash and Cash Equivalents	2.3%

Lipper Rankings

Category: Lipper International Large-Cap Growth Funds		
	Rank	Percentile
1 Year	53/147	36
3 Year	14/123	12
5 Year	29/115	25
10 Year	29/80	36

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Country	Sector	Industry
DaimlerChrysler AG, Registered Shares	Germany	Consumer Discretionary	Automobile Manufacturers
Galaxy Entertainment Group Limited, ADR	Hong Kong	Consumer Discretionary	Casinos & Gaming
Safran	France	Industrials	Aerospace & Defense
Shire plc	United Kingdom	Health Care	Pharmaceuticals
Vinci	France	Industrials	Construction & Engineering
Fresenius SE & Co. KGaA	Germany	Health Care	Health Care Services
Bayer AG	Germany	Health Care	Pharmaceuticals
Hyundai Motor Company	South Korea	Consumer Discretionary	Automobile Manufacturers
InBev NV	United States	Consumer Staples	Brewers
Continental AG	Germany	Consumer Discretionary	Auto Parts & Equipment

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

Country Weightings

Europe	62.4%
Germany	17.4%
France	15.8%
United Kingdom	15.6%
Switzerland	4.8%
Other Europe	8.8%
Pacific Basin	28.4%
Japan	15.1%
South Korea	4.0%
Hong Kong	3.5%
Other Pacific Basin	5.8%
North America	5.0%
United States	3.6%
Other North America	1.4%
Other	1.9%
Cash and Cash Equivalents	2.3%

SCHEDULE OF INVESTMENTS

International Growth Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value	COMMON STOCKS (Continued)	Shares	Value	COMMON STOCKS (Continued)	Shares	Value
Australia – 2.8%			Japan (Continued)			United Kingdom (Continued)		
David Jones Limited	1,988	\$ 5,361	Mitsubishi Electric Corporation	535	\$ 6,706	Shire plc	380	\$ 17,938
Telstra Corporation Limited, ADR	2,523	11,827	Mitsui & Co., Ltd.	258	3,582			94,217
		<u>17,188</u>	Mizuho Financial Group, Inc.	2,938	6,359	United States – 3.6%		
Canada – 0.8%			Nissin Kogyo Co., Ltd.	404	8,537	InBev NV	132	14,076
Agrium Inc.	51	4,629	ORIX Corporation	696	12,214	Schlumberger Limited	82	7,422
			Sumitomo Corporation	396	4,967			<u>21,498</u>
China – 0.8%			Sumitomo Mitsui Trust Holdings, Inc.	459	2,415	TOTAL COMMON STOCKS – 95.6%		\$578,668
Ping An Insurance (Group) Company of China, Ltd., A Shares	732	5,048	Tokyo Electron Limited	222	12,142	(Cost: \$437,630)		
					<u>91,306</u>	PREFERRED STOCKS		
Finland – 1.1%			Mexico – 0.6%			Germany – 2.1%		
Nokia OYJ	853	6,830	Grupo Financiero Banorte, S.A.B. de C.V.	486	3,399	Volkswagen AG, 2.260%	45	12,619
France – 15.8%								
Cap Gemini S.A.	168	11,333	Netherlands – 3.4%			TOTAL PREFERRED STOCKS – 2.1%		\$ 12,619
Compagnie Generale des Etablissements Michelin, Class B	83	8,857	ASML Holding N.V., Ordinary Shares	118	11,057	(Cost: \$9,398)		
European Aeronautic Defence and Space Company	150	11,545	Koninklijke Philips Electronics N.V., Ordinary Shares	263	9,625	SHORT-TERM SECURITIES	Principal	
LVMH Moët Hennessy – Louis Vuitton	44	8,059			<u>20,682</u>	Commercial Paper – 1.2%		
Publicis Groupe S.A. (A)	68	6,257	Norway – 1.1%			International Business Machines Corporation, 0.030%, 1–22–14 (C) . . . \$	2,000	2,000
Remy Cointreau S.A.	34	2,880	Yara International ASA	153	6,579	Nestle Finance International Ltd. (GTD by Nestle S.A.), 0.070%, 1–22–14 (C) . . .	5,000	5,000
Safran	267	18,565						<u>7,000</u>
Sanofi–Aventis	99	10,525	South Korea – 4.0%			Master Note – 0.1%		
Vinci	270	17,728	Hyundai Motor Company (A)	68	15,167	Toyota Motor Credit Corporation, 0.091%, 1–7–14 (D) . . .	702	702
		<u>95,749</u>	Samsung Electronics Co., Ltd.	7	8,892	TOTAL SHORT-TERM SECURITIES – 1.3%		\$ 7,702
Germany – 15.3%					<u>24,059</u>	(Cost: \$7,702)		
adidas AG	57	7,286	Spain – 1.5%			TOTAL INVESTMENT SECURITIES – 99.0%		\$598,989
Bayer AG	119	16,633	CaixaBank, S.A.	1,794	9,351	(Cost: \$454,730)		
Continental AG	64	13,925				CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.0%		6,062
DaimlerChrysler AG, Registered Shares	252	21,848	Switzerland – 4.8%			NET ASSETS – 100.0%		\$605,051
Fresenius SE & Co. KGaA	111	17,012	Credit Suisse Group AG, Registered Shares	393	12,009			
Linde AG	46	9,557	Novartis AG, Registered Shares	125	9,953			
SAP AG	73	6,277	Swatch Group Ltd (The), Bearer Shares	10	6,906			
		<u>92,538</u>			<u>28,868</u>			
Hong Kong – 3.5%			Taiwan – 1.5%					
Galaxy Entertainment Group Limited, ADR	2,367	21,230	MediaTek Incorporation	616	9,167			
India – 0.7%			United Kingdom – 15.6%					
NMDC Limited	1,943	4,458	Aviva plc	858	6,386			
			Capita Group plc (The)	235	4,042			
Ireland – 1.7%			Diageo plc	275	9,115			
Smurfit Kappa Group plc	413	10,161	Experian plc	464	8,562			
			GlaxoSmithKline plc	439	11,711			
Israel – 1.9%			Lloyds Banking Group plc (A)	7,711	10,073			
Teva Pharmaceutical Industries Limited, ADR	292	11,711	Merlin Entertainments plc (A)(B)	922	5,459			
			Prudential plc	526	11,677			
Japan – 15.1%			Royal Dutch Shell plc, Class A	260	9,254			
Daihatsu Motor Co., Ltd.	252	4,257						
Fuji Heavy Industries Ltd.	373	10,679						
JGC Corporation	182	7,129						
Komatsu Ltd.	246	4,992						
Mitsubishi Corporation	383	7,327						

SCHEDULE OF INVESTMENTS

International Growth Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2013, the total value of these securities amounted to \$5,459 or 0.9% of net assets.

(C) Rate shown is the yield to maturity at December 31, 2013.

(D) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date the variable rate resets.

The following forward foreign currency contracts were outstanding at December 31, 2013:

Type	Currency	Counterparty	Principal Amount of Contract (Denominated in Indicated Currency)	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Sell	Euro	UBS AG	42,600	1-27-14	\$ —	\$1,220
Sell	Japanese Yen	Goldman Sachs International	2,857,550	1-27-14	1,194	—
					<u>\$1,194</u>	<u>\$1,220</u>

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks			
Consumer Discretionary	\$153,452	\$ —	\$ —
Consumer Staples	26,071	—	—
Energy	16,676	—	—
Financials	78,931	—	—
Health Care	95,482	—	—
Industrials	95,147	—	—
Information Technology	65,698	—	—
Materials	35,384	—	—
Telecommunication Services	11,827	—	—
Total Common Stocks	<u>\$578,668</u>	<u>\$ —</u>	<u>\$ —</u>
Preferred Stocks	12,619	—	—
Short-Term Securities	—	7,702	—
Total	<u>\$591,287</u>	<u>\$7,702</u>	<u>\$ —</u>
Forward Foreign Currency Contracts	\$ —	\$1,194	\$ —
Liabilities			
Forward Foreign Currency Contracts	\$ —	\$1,220	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

GTD = Guaranteed

Market Sector Diversification

(as a % of net assets)

Consumer Discretionary	27.5%
Industrials	15.7%
Health Care	15.6%
Financials	13.2%
Information Technology	10.8%
Materials	5.9%
Consumer Staples	4.4%
Energy	2.7%
Telecommunication Services	1.9%
Other+	2.3%

+ Includes cash and cash equivalents and other assets and liabilities

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

New Concepts Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	97.1%
Consumer Discretionary	22.4%
Information Technology	21.9%
Industrials	16.4%
Health Care	13.5%
Financials	8.9%
Energy	7.4%
Consumer Staples	5.6%
Materials	1.0%
Purchased Options	0.0%
Cash and Cash Equivalents	2.9%

Lipper Rankings

Category: Lipper Mid-Cap Growth Funds		
	Rank	Percentile
1 Year	313/373	84
3 Year	196/341	58
5 Year	47/295	16
10 Year	14/212	7

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector
Northern Trust Corporation	Financials
Microchip Technology Incorporated	Information Technology
Varian Medical Systems, Inc.	Health Care
First Republic Bank	Financials
Signature Bank	Financials
Fastenal Company	Industrials
Expeditors International of Washington, Inc.	Industrials
Vantiv, Inc., Class A	Information Technology
Fortune Brands Home & Security, Inc.	Industrials
LKQ Corporation	Consumer Discretionary

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

New Concepts Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Air Freight & Logistics – 2.1%		
Expeditors International of Washington, Inc.	868	\$38,405
Apparel Retail – 1.1%		
DSW Inc., Class A	460	19,656
Apparel, Accessories & Luxury Goods – 5.2%		
Burberry Group plc (A)	832	20,879
Carter's, Inc.	253	18,134
Michael Kors Holdings Limited (B)	213	17,285
Tumi Holdings, Inc. (B)	248	5,588
Under Armour, Inc., Class A (B)	355	30,992
		<u>92,878</u>
Application Software – 3.9%		
ANSYS, Inc. (B)	289	25,218
Solera Holdings, Inc.	488	34,517
Ultimate Software Group, Inc. (The) (B)	73	11,200
		<u>70,935</u>
Asset Management & Custody Banks – 3.5%		
Northern Trust Corporation ..	756	46,783
Oaktree Capital Group, LLC	283	16,640
		<u>63,423</u>
Auto Parts & Equipment – 1.7%		
Gentex Corporation	929	30,661
Automotive Retail – 2.0%		
CarMax, Inc. (B)	753	35,425
Biotechnology – 1.3%		
Alkermes plc (B)	130	5,286
Medivation, Inc. (B)	278	17,710
		<u>22,996</u>
Building Products – 2.1%		
Fortune Brands Home & Security, Inc.	838	38,278
Coal & Consumable Fuels – 1.3%		
Joy Global Inc.	389	22,741
Communications Equipment – 2.5%		
Aruba Networks, Inc. (B)	1,013	18,140
F5 Networks, Inc. (B)	308	28,003
		<u>46,143</u>
Computer Storage & Peripherals – 2.1%		
Fusion-io, Inc. (B)	1,571	14,000
NetApp, Inc.	583	23,977
		<u>37,977</u>
Consumer Electronics – 1.9%		
Harman International Industries, Incorporated ...	421	34,426
Data Processing & Outsourced Services – 2.1%		
Vantiv, Inc., Class A (B)	1,176	38,346

COMMON STOCKS (Continued)	Shares	Value
Department Stores – 1.0%		
Nordstrom, Inc.	306	\$ 18,898
Distillers & Vintners – 1.0%		
Brown-Forman Corporation, Class B	247	18,656
Distributors – 2.1%		
LKQ Corporation (B)	1,129	37,157
Electrical Components & Equipment – 1.7%		
Polypore International, Inc. (B)	770	29,969
Electronic Manufacturing Services – 1.6%		
Trimble Navigation Limited (B)	829	28,755
Environmental & Facilities Services – 1.4%		
Stericycle, Inc. (B)	219	25,453
Fertilizers & Agricultural Chemicals – 1.0%		
Scotts Miracle-Gro Company (The)	302	18,797
Health Care Distributors – 2.0%		
Henry Schein, Inc. (B)	312	35,661
Health Care Equipment – 5.6%		
Intuitive Surgical, Inc. (B) ...	71	27,270
Varian Medical Systems, Inc. (B)	554	43,039
Zimmer Holdings, Inc.	327	30,445
		<u>100,754</u>
Health Care Facilities – 2.3%		
Acadia Healthcare Company, Inc. (B)	314	14,838
Hologic, Inc. (B)	1,233	27,560
		<u>42,398</u>
Health Care Services – 1.0%		
Premier Inc. (B)	501	18,420
Health Care Supplies – 1.3%		
DENTSPLY International Inc.	488	23,678
Hotels, Resorts & Cruise Lines – 1.7%		
Norwegian Cruise Line Holdings Ltd. (B)	867	30,742
Industrial Machinery – 5.4%		
Flowserv Corporation	245	19,298
Graco Inc.	175	13,694
IDEX Corporation	430	31,761
Pall Corporation	409	34,925
		<u>99,678</u>
Internet Retail – 0.8%		
HomeAway, Inc. (B)	335	13,703
Internet Software & Services – 2.9%		
OpenTable, Inc. (B)	216	17,104

COMMON STOCKS (Continued)	Shares	Value
Internet Software & Services (Continued)		
WebMD Health Corp., Class A (B)	468	\$18,502
Zillow, Inc. (B)	202	16,469
		<u>52,075</u>
IT Consulting & Other Services – 1.6%		
Teradata Corporation (B)	641	29,150
Leisure Products – 1.1%		
Mattel, Inc.	431	20,488
Oil & Gas Drilling – 1.2%		
Patterson-UTI Energy, Inc. ...	826	20,919
Oil & Gas Equipment & Services – 1.0%		
Dril-Quip, Inc. (B)	170	18,644
Oil & Gas Exploration & Production – 3.9%		
Cabot Oil & Gas Corporation	565	21,883
Continental Resources, Inc. (B)	235	26,409
Southwestern Energy Company (B)	597	23,472
		<u>71,764</u>
Packaged Foods & Meats – 3.7%		
Hain Celestial Group, Inc. (The) (B)	355	32,200
Mead Johnson Nutrition Company	423	35,455
		<u>67,655</u>
Personal Products – 0.9%		
Coty Inc., Class A	1,020	15,558
Regional Banks – 5.4%		
First Republic Bank	771	40,371
Signature Bank (B)	366	39,305
UMB Financial Corporation	294	18,905
		<u>98,581</u>
Research & Consulting Services – 1.5%		
Verisk Analytics, Inc., Class A (B)	407	26,728
Restaurants – 2.3%		
Dunkin' Brands Group, Inc.	742	35,774
Panera Bread Company, Class A (B)	33	5,831
		<u>41,605</u>
Semiconductors – 4.2%		
Cavium Inc. (B)	204	7,023
Microchip Technology Incorporated	1,024	45,841
Skyworks Solutions, Inc. (B)(C)	736	21,006
		<u>73,870</u>

SCHEDULE OF INVESTMENTS

New Concepts Fund (in thousands)

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS (Continued)

	Shares	Value
Specialty Stores – 1.5%		
Ulta Salon, Cosmetics & Fragrance, Inc. (B) . .	284	\$ 27,450
Systems Software – 1.0%		
ServiceNow, Inc. (B) . . .	324	18,170
Trading Companies & Distributors – 2.2%		
Fastenal Company . .	821	38,987
TOTAL COMMON STOCKS – 97.1%		\$1,756,653
(Cost: \$1,192,659)		
PURCHASED OPTIONS	Number of Contracts (Unrounded)	
Skyworks Solutions, Inc., Put \$26.00, Expires 2–21–14, OTC (Ctrpty: Societe Generale Bank)	6,522	424
TOTAL PURCHASED OPTIONS – 0.0%		\$ 424
(Cost: \$645)		

SHORT-TERM SECURITIES

	Principal	Value
Commercial Paper – 2.9%		
Bemis Company, Inc., 0.250%, 1–24–14 (D)	\$ 6,000	\$ 5,999
Danaher Corporation, 0.110%, 1–17–14 (D)	7,000	7,000
Diageo Capital plc (GTD by Diageo plc), 0.180%, 1–2–14 (D)	5,147	5,147
Emerson Electric Co., 0.090%, 2–27–14 (D)	4,000	3,999
Exxon Mobil Corporation, 0.020%, 1–6–14 (D)	2,303	2,303
Illinois Tool Works Inc., 0.090%, 2–5–14 (D)	5,000	5,000
International Business Machines Corporation, 0.030%, 1–22–14 (D)	5,000	5,000
McCormick & Co. Inc., 0.100%, 1–2–14 (D)	2,919	2,919
Nestle Finance International Ltd. (GTD by Nestle S.A.), 0.060%, 1–13–14 (D)	10,000	9,999
		<u>53,887</u>

SHORT-TERM SECURITIES (Continued)

	Principal	Value
Master Note – 0.1%		
Toyota Motor Credit Corporation, 0.091%, 1–7–14 (E) . . .	\$922	\$ 922
TOTAL SHORT-TERM SECURITIES – 3.0%		\$ 54,809
(Cost: \$54,809)		
TOTAL INVESTMENT SECURITIES – 100.1%		\$1,811,886
(Cost: \$1,248,113)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.1%)		(1,153)
NET ASSETS – 100.0%		\$1,810,733

Notes to Schedule of Investments

(A) Listed on an exchange outside the United States.

(B) No dividends were paid during the preceding 12 months.

(C) All or a portion of the security position is held in collateralized accounts for OTC derivatives collateral as governed by International Swaps and Derivatives Association, Inc. Master Agreements.

(D) Rate shown is the yield to maturity at December 31, 2013.

(E) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following written options were outstanding at December 31, 2013 (contracts and exercise prices unrounded):

Underlying Security	Counterparty, if OTC	Type	Number of Contracts	Expiration Month	Exercise Price	Premium Received	Value
Skyworks Solutions, Inc.	Societe Generale Bank	Put	6,522	February 2014	\$23.00	\$175	\$(130)
	Societe Generale Bank	Call	6,522	February 2014	30.00	528	(620)
						<u>\$703</u>	<u>\$(750)</u>

SCHEDULE OF INVESTMENTS

New Concepts Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks	\$1,756,653	\$ —	\$ —
Purchased Options	—	424	—
Short-Term Securities	—	54,809	—
Total	<u>\$1,756,653</u>	<u>\$55,233</u>	<u>\$ —</u>
Liabilities			
Written Options	<u>\$ —</u>	<u>\$ 750</u>	<u>\$ —</u>

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronyms are used throughout this schedule:

GTD = Guaranteed

OTC = Over the Counter

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Science and Technology Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	98.2%
Information Technology	69.1%
Health Care	15.8%
Industrials	5.7%
Consumer Discretionary	2.9%
Materials	2.5%
Telecommunication Services	1.5%
Financials	0.7%
Warrants	0.0%
Purchased Options	0.3%
Cash and Cash Equivalents	1.5%

Country Weightings

North America	78.7%
United States	78.7%
Europe	8.8%
Switzerland	3.5%
Other Europe	5.3%
Pacific Basin	5.6%
Bahamas/Caribbean	2.2%
Other	1.9%
South America	1.0%
Cash and Cash Equivalents and Purchased Options	1.8%

Lipper Rankings

Category: Lipper Science & Technology Funds	Rank	Percentile
1 Year	3/154	2
3 Year	3/149	2
5 Year	37/137	27
10 Year	5/105	5

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector	Industry
Micron Technology, Inc.	Information Technology	Semiconductors
Cree, Inc.	Information Technology	Semiconductors
Alliance Data Systems Corporation	Information Technology	Data Processing & Outsourced Services
Aspen Technology, Inc.	Information Technology	Application Software
Axiom Corporation	Information Technology	IT Consulting & Other Services
iGATE Corporation	Information Technology	IT Consulting & Other Services
Euronet Worldwide, Inc.	Information Technology	Data Processing & Outsourced Services
Pentair, Inc.	Industrials	Industrial Machinery
ACI Worldwide, Inc.	Information Technology	Application Software
Facebook, Inc., Class A	Information Technology	Internet Software & Services

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Science and Technology Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Application Software – 11.5%		
ACI Worldwide, Inc. (A)	1,787	\$116,179
Aspen Technology, Inc. (A)	4,504	188,288
Qlik Technologies Inc. (A)(B)	890	23,711
SAP Aktiengesellschaft, ADR	448	39,047
Silver Spring Networks, Inc. (A)(C)	3,033	63,694
		<u>430,919</u>
Biotechnology – 5.7%		
bluebird bio, Inc. (A)	407	8,547
Evogene Ltd. (A)	966	18,988
Isis Pharmaceuticals, Inc. (A)	1,999	79,652
Vertex Pharmaceuticals Incorporated (A)	1,442	107,110
		<u>214,297</u>
Commodity Chemicals – 0.3%		
BioAmber Inc. (A)(C)	1,462	10,934
Communications Equipment – 0.3%		
Ruckus Wireless, Inc (A)	684	9,716
Computer Storage & Peripherals – 0.2%		
Nimble Storage, Inc. (A)	192	8,716
Construction & Engineering – 1.3%		
Abengoa, S.A., Class B (D)	4,166	12,470
Abengoa, S.A., Class B, ADR (A)	2,516	37,793
		<u>50,263</u>
Consumer Electronics – 2.9%		
Garmin Ltd.	750	34,660
Harman International Industries, Incorporated . .	917	75,090
		<u>109,750</u>
Data Processing & Outsourced Services – 13.3%		
Alliance Data Systems Corporation (A)	730	192,004
Euronet Worldwide, Inc. (A)	2,487	118,990
EVERTEC, Inc.	1,605	39,584
QIWI plc, ADR	1,323	74,105
WNS (Holdings) Limited, ADR (A)(C)	3,387	74,213
		<u>498,896</u>
Diversified Support Services – 0.1%		
EnerNOC, Inc. (A)	300	5,166
Electronic Components – 1.3%		
Universal Display Corporation (A)	1,425	48,951
Fertilizers & Agricultural Chemicals – 2.2%		
Marrone Bio Innovations, Inc. (A)	484	8,609

COMMON STOCKS (Continued)	Shares	Value
Fertilizers & Agricultural Chemicals (Continued)		
Monsanto Company	646	\$ 75,257
		<u>83,866</u>
Health Care Equipment – 3.2%		
Boston Scientific Corporation (A)	4,738	56,956
Cardiovascular Systems Inc. (A)	433	14,854
Volcano Corporation (A)	2,156	47,111
		<u>118,921</u>
Health Care Services – 0.4%		
Fleury S.A. (D)	1,995	15,558
Health Care Technology – 1.9%		
Cerner Corporation (A)	1,263	70,394
Industrial Machinery – 4.3%		
ESCO Technologies Inc.	1,170	40,092
Pentair, Inc.	1,507	117,041
		<u>157,133</u>
Integrated Telecommunication Services – 1.5%		
China Unicom Limited (D)	21,420	32,044
Windstream Corporation	2,947	23,519
		<u>55,563</u>
Internet Software & Services – 8.8%		
21Vianet Group, Inc., ADR (A)	1,289	30,308
Endurance International Group Holdings, Inc. (A)	1,539	21,820
Facebook, Inc., Class A (A)	2,082	113,802
Gogo Inc. (A)	712	17,670
Google Inc., Class A (A)	100	112,407
Twitter, Inc. (A)	522	33,251
		<u>329,258</u>
IT Consulting & Other Services – 8.8%		
Axiom Corporation (A)(C)	4,383	162,101
EPAM Systems, Inc. (A)	1,050	36,677
iGATE Corporation (A)(C)	3,003	120,600
Luxoft Holding, Inc., Class A (A)	288	10,923
		<u>330,301</u>
Managed Health Care – 3.2%		
Odontoprev S.A. (D)	5,519	22,994
UnitedHealth Group Incorporated	1,287	96,933
		<u>119,927</u>
Office REITs – 0.7%		
QTS Realty Trust, Inc., Class A	1,123	27,818

COMMON STOCKS (Continued)	Shares	Value
Pharmaceuticals – 1.4%		
Teva Pharmaceutical Industries Limited, ADR	1,358	\$ 54,409
Semiconductor Equipment – 1.4%		
Nanometrics Incorporated (A) . .	1,058	20,151
Photonics, Inc. (A)(C)	3,419	30,874
		<u>51,025</u>
Semiconductors – 21.4%		
Cree, Inc. (A)	3,218	201,358
Cypress Semiconductor Corporation	4,399	46,191
Marvell Technology Group Ltd.	3,420	49,182
Micron Technology, Inc. (A)	14,277	310,677
Microsemi Corporation (A)(B)	2,282	56,933
NXP Semiconductors N.V. (A)	857	39,362
Rambus Inc. (A)	3,568	33,790
Samsung Electronics Co., Ltd. (D)	55	70,852
		<u>808,345</u>
Systems Software – 2.1%		
Microsoft Corporation	2,121	79,404
TOTAL COMMON STOCKS – 98.2%		\$3,689,530
(Cost: \$2,047,969)		
WARRANTS		
Commodity Chemicals – 0.0%		
BioAmber Inc., Expires 5–9–17 (E)	1,423	1,039
TOTAL WARRANTS – 0.0%		\$ 1,039
(Cost: \$167)		
PURCHASED OPTIONS	Number of Contracts (Unrounded)	
NASDAQ 100 Index, Put \$3,480.00, Expires 2–21–14, OTC (Ctrpty: Citibank N.A.)	788	2,849
Qlik Technologies Inc.: Call \$26.00, Expires 1–17–14, OTC (Ctrpty: Morgan Stanley & Co., Inc.)	2,155	420

SCHEDULE OF INVESTMENTS

Science and Technology Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

PURCHASED OPTIONS (Continued)	Number of Contracts (Unrounded)	Value	SHORT-TERM SECURITIES		Principal	Value	SHORT-TERM SECURITIES (Continued)		Principal	Value
Call \$26.00, Expires 2-21-14, OTC (Ctrpty: Morgan Stanley & Co., Inc.)	2,026	\$ 638	Commercial Paper – 1.9% Becton Dickinson & Co., 0.150%, 1-21-14 (F) ...		\$10,000	\$ 9,999	Master Note – 0.0% Toyota Motor Credit Corporation, 0.091%, 1-7-14 (G) ..	\$ 954	\$ 954	
Russell 2000 Index, Put \$1,135.00, Expires 2-21-14, OTC (Ctrpty: Societe Generale Bank)	3,225	5,741	Bemis Company, Inc.: 0.240%, 1-15-14 (F) ...		4,107	4,107				
SPDR S&P MIDCAP 400 ETF Trust: Put \$235.00, Expires 2-21-14	5,759	1,281	0.230%, 1-16-14 (F) ...		5,000	4,999				
Put \$240.00, Expires 2-21-14	5,759	1,958	Diageo Capital plc (GTD by Diageo plc), 0.180%, 1-3-14 (F)		5,000	5,000				
TOTAL PURCHASED OPTIONS – 0.3%		\$12,887	Enbridge Inc., 0.280%, 1-21-14 (F) ...		5,756	5,755	TOTAL SHORT-TERM SECURITIES – 1.9%		\$ 72,180	
(Cost: \$13,648)			Kellogg Co., 0.130%, 1-8-14 (F)		5,000	5,000	(Cost: \$72,180)			
			McCormick & Co. Inc.: 0.100%, 1-2-14 (F)		3,369	3,369	TOTAL INVESTMENT SECURITIES – 100.4%		\$3,775,636	
			0.140%, 1-10-14 (F) ...		9,000	9,000	(Cost: \$2,133,964)			
			Medtronic, Inc., 0.110%, 3-4-14 (F)		10,000	9,998	LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.4%)		(13,573)	
			Verizon Communications Inc., 0.200%, 1-16-14 (F) ...		8,000	7,999	NET ASSETS – 100.0%		\$3,762,063	
			Wisconsin Gas LLC, 0.120%, 1-7-14 (F)		6,000	6,000				
						<u>71,226</u>				

Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) All or a portion of the security position is held in collateralized accounts for OTC derivatives collateral as governed by International Swaps and Derivatives Association, Inc. Master Agreements.

(C) Deemed to be an affiliate due to the Fund owning at least 5% of the voting securities.

(D) Listed on an exchange outside the United States.

(E) Warrants entitle the Fund to purchase a predetermined number of shares of common stock and are non-income producing. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date, if any.

(F) Rate shown is the yield to maturity at December 31, 2013.

(G) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following written options were outstanding at December 31, 2013 (contracts and exercise prices unrounded):

Underlying Security	Counterparty, if OTC	Type	Number of Contracts	Expiration Month	Exercise Price	Premium Received	Value
NASDAQ 100 Index	Citibank N.A.	Put	788	February 2014	\$3,150.00	\$ 410	\$ (512)
Qlik Technologies Inc.	Morgan Stanley & Co., Inc.	Put	2,155	January 2014	21.00	216	(27)
	Morgan Stanley & Co., Inc.	Call	4,310	January 2014	32.00	409	(216)
	Morgan Stanley & Co., Inc.	Put	1,013	February 2014	21.00	171	(73)
	Morgan Stanley & Co., Inc.	Put	1,013	February 2014	22.00	211	(99)
	Morgan Stanley & Co., Inc.	Call	3,039	February 2014	34.00	339	(228)
Russell 2000 Index	Societe Generale Bank	Put	3,225	February 2014	1,025.00	1,177	(1,177)
SPDR S&P MIDCAP 400 ETF Trust	N/A	Put	11,518	February 2014	215.00	449	(547)
						<u>\$3,382</u>	<u>\$(2,879)</u>

SCHEDULE OF INVESTMENTS

Science and Technology Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks			
Consumer Discretionary	\$ 109,750	\$ —	\$ —
Financials	27,818	—	—
Health Care	593,506	—	—
Industrials	212,562	—	—
Information Technology	2,595,531	—	—
Materials	94,800	—	—
Telecommunication Services	55,563	—	—
Total Common Stocks	\$3,689,530	\$ —	\$ —
Warrants	1,039	—	—
Purchased Options	3,239	9,648	—
Short-Term Securities	—	72,180	—
Total	\$3,693,808	\$81,828	\$ —
Liabilities			
Written Options	\$ 547	\$ 2,332	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts
 GTD = Guaranteed
 OTC = Over the Counter
 REIT = Real Estate Investment Trust

Country Diversification

(as a % of net assets)

United States	78.7%
Switzerland	3.5%
Bermuda	2.2%
India	2.0%
Cyprus	2.0%
South Korea	1.9%
Israel	1.9%
China	1.7%
Spain	1.3%
Brazil	1.0%
Germany	1.0%
Netherlands	1.0%
Other+	1.8%

+Includes options, cash and cash equivalents and other assets and liabilities

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Small Cap Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	98.9%
Information Technology	28.2%
Industrials	22.5%
Consumer Discretionary	15.8%
Financials	12.8%
Health Care	11.7%
Consumer Staples	4.4%
Energy	3.5%
Cash and Cash Equivalents	1.1%

Lipper Rankings

Category: Lipper Small-Cap Growth Funds	Rank	Percentile
1 Year	264/513	52
3 Year	289/457	64
5 Year	89/400	23
10 Year	37/264	14

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector
Ultimate Software Group, Inc. (The)	Information Technology
Demandware, Inc.	Information Technology
SVB Financial Group	Financials
Westinghouse Air Brake Technologies Corporation	Industrials
Affiliated Managers Group, Inc.	Financials
Vail Resorts, Inc.	Consumer Discretionary
Portfolio Recovery Associates, Inc.	Industrials
Jack Henry & Associates, Inc.	Information Technology
Cepheid	Health Care
DexCom, Inc.	Health Care

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Small Cap Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Aerospace & Defense – 0.3%		
KEYW Holding Corporation (A)	215	\$ 2,894
Air Freight & Logistics – 1.4%		
Hub Group, Inc. (A)	327	13,045
Apparel Retail – 2.7%		
AnnTaylor Stores Corporation (A)	244	8,913
Stage Stores, Inc.	280	6,230
Zumiez Inc. (A)	361	9,390
		<u>24,533</u>
Apparel, Accessories & Luxury Goods – 1.3%		
Fifth & Pacific Companies, Inc. (A)	358	11,484
Application Software – 6.6%		
Qlik Technologies Inc. (A)	410	10,908
SS&C Technologies Holdings, Inc. (A)	288	12,747
Tyler Technologies, Inc. (A)	102	10,387
Ultimate Software Group, Inc. (The) (A)	174	26,612
		<u>60,654</u>
Asset Management & Custody Banks – 4.3%		
Affiliated Managers Group, Inc. (A)	104	22,469
Financial Engines, Inc.	124	8,636
WisdomTree Investment, Inc. (A)	463	8,205
		<u>39,310</u>
Automotive Retail – 3.1%		
Asbury Automotive Group, Inc. (A)	251	13,473
Lithia Motors, Inc.	211	14,647
		<u>28,120</u>
Biotechnology – 5.0%		
Cepheid (A)	409	19,100
Incyte Corporation (A)	362	18,343
Ironwood Pharmaceuticals, Inc., Class A (A)	339	3,939
KYTHERA Biopharmaceuticals, Inc. (A)	126	4,697
		<u>46,079</u>
Brewers – 0.8%		
Boston Beer Company, Inc. (The), Class A (A)	31	7,375
Communications Equipment – 3.4%		
Aruba Networks, Inc. (A)	227	4,063
Ciena Corporation (A)	439	10,493
Finisar Corporation (A)	345	8,255
JDS Uniphase Corporation (A)	644	8,357
		<u>31,168</u>

COMMON STOCKS (Continued)	Shares	Value
Computer & Electronics Retail – 0.8%		
Conn's, Inc. (A)	97	\$ 7,666
Construction & Engineering – 1.9%		
Primoris Services Corporation	566	17,623
Construction & Farm Machinery & Heavy Trucks – 3.7%		
Wabash National Corporation (A)	894	11,035
Westinghouse Air Brake Technologies Corporation	305	22,661
		<u>33,696</u>
Consumer Finance – 1.6%		
First Cash Financial Services, Inc. (A)	234	14,446
Data Processing & Outsourced Services – 2.1%		
Jack Henry & Associates, Inc.	327	19,338
Distributors – 1.4%		
Pool Corporation	220	12,808
Diversified Support Services – 2.2%		
Portfolio Recovery Associates, Inc. (A)	382	20,181
Education Services – 0.1%		
Bright Horizons Family Solutions Inc. (A)	26	952
Electrical Components & Equipment – 0.5%		
Powell Industries, Inc.	72	4,837
Electronic Equipment & Instruments – 0.3%		
MTS Systems Corporation	41	2,914
Electronic Manufacturing Services – 1.6%		
IPG Photonics Corporation (A)	191	14,831
Environmental & Facilities Services – 2.6%		
Team, Inc. (A)	296	12,528
Waste Connections, Inc.	249	10,864
		<u>23,392</u>
Food Distributors – 1.3%		
United Natural Foods, Inc. (A)	152	11,482
Health Care Equipment – 4.3%		
DexCom, Inc. (A)	536	18,976
Heartware International, Inc. (A)	159	14,921
Thoratec Corporation (A)	141	5,142
		<u>39,039</u>
Health Care Facilities – 0.6%		
Surgical Care Affiliates, Inc. (A)	166	5,783

COMMON STOCKS (Continued)	Shares	Value
Health Care Supplies – 1.1%		
Endologix, Inc. (A)	487	\$ 8,498
Spectranetics Corporation (The) (A)	48	1,188
		<u>9,686</u>
Health Care Technology – 0.7%		
Medidata Solutions, Inc. (A)	104	6,324
Human Resource & Employment Services – 1.7%		
Kforce Inc.	421	8,620
WageWorks, Inc. (A)	119	7,061
		<u>15,681</u>
Industrial Machinery – 0.9%		
Graham Corporation	229	8,307
Internet Software & Services – 4.5%		
Benefitfocus, Inc. (A)	64	3,684
ChannelAdvisor Corporation (A)	77	3,216
Demandware, Inc. (A)	412	26,398
Rocket Fuel Inc. (A)	123	7,545
		<u>40,843</u>
IT Consulting & Other Services – 2.5%		
EPAM Systems, Inc. (A)	320	11,191
Luxoft Holding, Inc., Class A (A)	183	6,947
ServiceSource International, LLC (A)	598	5,008
		<u>23,146</u>
Leisure Facilities – 2.4%		
Vail Resorts, Inc.	291	21,892
Office Services & Supplies – 1.7%		
HNI Corporation	213	8,251
United Stationers Inc.	161	7,379
		<u>15,630</u>
Oil & Gas Equipment & Services – 2.7%		
Dril-Quip, Inc. (A)	82	9,017
Matrix Service Company (A)	651	15,920
		<u>24,937</u>
Oil & Gas Exploration & Production – 0.8%		
Athlon Energy Inc. (A)	90	2,728
Bonanza Creek Energy, Inc. (A)	44	1,895
Resolute Energy Corporation (A)	262	2,369
		<u>6,992</u>
Packaged Foods & Meats – 2.3%		
B&G Foods, Inc.	251	8,505
Hain Celestial Group, Inc. (The) (A)	32	2,887
Lance, Inc.	348	9,988
		<u>21,380</u>

SCHEDULE OF INVESTMENTS

Small Cap Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS

(Continued)

	Shares	Value
Real Estate Services – 0.3%		
RE/MAX Holdings, Inc., Class A (A)	81	\$ 2,582
Regional Banks – 6.6%		
Bank of the Ozarks, Inc.	320	18,120
IBERIABANK Corporation ...	100	6,260
Signature Bank (A)	80	8,615
SVB Financial Group (A)	241	25,249
Texas Capital Bancshares, Inc. (A)	38	2,333
		<u>60,577</u>
Restaurants – 3.2%		
Brinker International, Inc.	48	2,224
Chuy's Holdings, Inc. (A)	304	10,933
Del Frisco's Restaurant Group, Inc. (A)	314	7,396
Sonic Corp. (A)	486	9,802
		<u>30,355</u>
Semiconductor Equipment – 0.6%		
Rubicon Technology, Inc. (A)	536	5,334
Semiconductors – 4.1%		
Atmel Corporation (A)	857	6,707
Diodes Incorporated (A)	306	7,219
Microsemi Corporation (A) ...	314	7,842
Power Integrations, Inc.	248	13,848
Semtech Corporation (A)	64	1,623
		<u>37,239</u>

COMMON STOCKS

(Continued)

	Shares	Value
Specialty Stores – 0.8%		
Cabela's Incorporated, Class A (A)	104	\$ 6,933
Systems Software – 2.5%		
Infolox Inc. (A)	340	11,217
MICROS Systems, Inc. (A)	200	11,474
		<u>22,691</u>
Trading Companies & Distributors – 4.0%		
Beacon Roofing Supply, Inc. (A)	161	6,469
Rush Enterprises, Inc. (A)	365	10,822
Watsco, Inc.	188	18,098
		<u>35,389</u>
Trucking – 1.6%		
Landstar System, Inc.	262	15,029
TOTAL COMMON STOCKS – 98.9%		\$904,597
(Cost: \$569,645)		
SHORT-TERM SECURITIES	Principal	
Commercial Paper – 0.7%		
Diageo Capital plc (GTD by Diageo plc), 0.180%, 1–2–14 (B)	\$2,205	2,205

SHORT-TERM SECURITIES

(Continued)

	Principal	Value
Commercial Paper (Continued)		
Kellogg Co., 0.130%, 1–8–14 (B)	\$4,950	\$ 4,950
		<u>7,155</u>
Master Note – 0.4%		
Toyota Motor Credit Corporation, 0.091%, 1–7–14 (C) ...	3,208	3,208
TOTAL SHORT-TERM SECURITIES – 1.1%		\$ 10,363
(Cost: \$10,363)		
TOTAL INVESTMENT SECURITIES – 100.0%		\$914,960
(Cost: \$580,008)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.0%		424
NET ASSETS – 100.0%		\$915,384

Notes to Schedule of Investments

(A)No dividends were paid during the preceding 12 months.

(B)Rate shown is the yield to maturity at December 31, 2013.

(C)Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following total return swap agreements were outstanding at December 31, 2013:

Counterparty	Notional Amount	Underlying Security	Termination Date	Financing Fee#	Unrealized Appreciation
JPMorgan	\$4,819	Biotech Custom Index	11–26–14	1M LIBOR less 32 bps	\$103

#The Fund pays the financing fee multiplied by the notional amount each quarter. On the termination date of the swap contracts, the Fund will pay/receive the return of the underlying security.

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks	\$904,597	\$ —	\$ —
Short-Term Securities	—	10,363	—
Total	\$904,597	\$10,363	\$ —
Swap Agreements	\$ —	\$ 103	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronym is used throughout this schedule:

GTD = Guaranteed

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Tax-Managed Equity Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	97.6%
Consumer Discretionary	27.9%
Information Technology	24.5%
Industrials	14.3%
Health Care	12.4%
Consumer Staples	8.4%
Energy	5.1%
Materials	2.5%
Telecommunication Services	2.5%
Cash and Cash Equivalents	2.4%

Lipper Rankings

Category: Lipper Large-Cap Growth Funds	Rank	Percentile
1 Year	218/723	31
3 Year	304/609	50
5 Year	368/536	69
10 Year	34/376	10

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Before- and After-Tax Returns ⁽¹⁾	1-Year Period Ended 12-31-13	5-Year Period Ended 12-31-13	10-Year Period Ended 12-31-13
Class A			
Before Taxes	27.82%	16.40%	8.64%
After Taxes on Distributions	32.49%	17.13%	8.98%
After Taxes on Distributions and Sale of Fund Shares	23.16% ⁽²⁾	14.66%	7.74%
Class B			
Before Taxes	30.23%	16.52%	8.25%
After Taxes on Distributions	31.28%	16.01%	7.96%
After Taxes on Distributions and Sale of Fund Shares	22.51% ⁽²⁾	13.70%	6.85%
Class C			
Before Taxes	34.47%	16.72%	8.28%
After Taxes on Distributions	31.43%	16.09%	7.99%
After Taxes on Distributions and Sale of Fund Shares	22.69% ⁽²⁾	13.78%	6.88%
Russell 1000 Growth Index⁽³⁾	33.48%	20.39%	7.83%

⁽¹⁾Data quoted is past performance and is based on deduction of the maximum applicable sales load for each of the periods. Current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Please visit www.waddell.com for the Fund's most recent month-end performance. Class A shares carry a maximum front-end sales load of 5.75%. Class B and Class C shares carry a maximum contingent deferred sales charge (CDSC) of 5% and 1%, respectively. (Accordingly, the Class C shares reflect no CDSC since it only applies to Class C shares redeemed within twelve months after purchase.)

⁽²⁾After-tax returns may be better than before-tax returns due to an assumed tax benefit from losses on a sale of the Fund's shares at the end of the period.

⁽³⁾Reflects no deduction for fees, expenses or taxes.

The table above shows average annual returns on a before-tax and after-tax basis. Returns *Before Taxes* shows the actual change in the value of the Fund shares over the periods shown, but does not reflect the impact of taxes on Fund distributions or the sale of Fund shares. The two after-tax returns take into account taxes that may be associated with owning Fund shares. Returns *After Taxes on Distributions* is the Fund's actual performance, adjusted by the effect of taxes on distributions made by the Fund during the period shown. Returns *After Taxes on Distributions and Sale of Fund Shares* is further adjusted to reflect the tax impact on any change in the value of Fund shares as if they had been sold on the last day of the period.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts, or to shares held by non-taxable entities.

Top 10 Equity Holdings

Company	Sector
Apple Inc.	Information Technology
Gilead Sciences, Inc.	Health Care
MasterCard Incorporated, Class A	Information Technology
Las Vegas Sands, Inc.	Consumer Discretionary
CBS Corporation, Class B	Consumer Discretionary
Visa Inc., Class A	Information Technology
Google Inc., Class A	Information Technology
NIKE, Inc., Class B	Consumer Discretionary
Amazon.com, Inc.	Consumer Discretionary
Monsanto Company	Materials

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Tax-Managed Equity Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Aerospace & Defense – 3.4%		
Boeing Company (The)	36	\$ 4,873
Precision Castparts Corp.	19	5,063
		<u>9,936</u>
Apparel, Accessories & Luxury Goods – 1.4%		
lululemon athletica inc. (A)	64	3,802
Vince Holding Corp. (A)	5	141
		<u>3,943</u>
Application Software – 2.0%		
Adobe Systems Incorporated (A)	97	5,820
		<u>5,820</u>
Automotive Retail – 1.1%		
AutoZone, Inc. (A)	7	3,298
		<u>3,298</u>
Biotechnology – 7.0%		
Biogen Idec Inc. (A)	23	6,462
Gilead Sciences, Inc. (A)	161	12,084
KYTHERA Biopharmaceuticals, Inc. (A)	52	1,933
		<u>20,479</u>
Brewers – 1.7%		
Anheuser-Busch InBev S.A., ADR	46	4,929
		<u>4,929</u>
Broadcasting – 3.6%		
CBS Corporation, Class B	165	10,517
		<u>10,517</u>
Cable & Satellite – 4.2%		
Comcast Corporation, Class A	111	5,747
Time Warner Cable Inc.	48	6,464
		<u>12,211</u>
Casinos & Gaming – 5.3%		
Las Vegas Sands, Inc.	146	11,515
Wynn Resorts, Limited	22	4,331
		<u>15,846</u>
Communications Equipment – 2.8%		
Cisco Systems, Inc.	195	4,380
F5 Networks, Inc. (A)	43	3,916
		<u>8,296</u>
Computer Hardware – 4.5%		
Apple Inc.	24	13,214
		<u>13,214</u>
Construction & Farm Machinery & Heavy Trucks – 1.5%		
Caterpillar Inc.	47	4,286
		<u>4,286</u>
Consumer Electronics – 1.6%		
Harman International Industries, Incorporated	55	4,526
		<u>4,526</u>
Data Processing & Outsourced Services – 7.7%		
MasterCard Incorporated, Class A	14	12,031
Visa Inc., Class A	46	10,221
		<u>22,252</u>

COMMON STOCKS (Continued)	Shares	Value
Fertilizers & Agricultural Chemicals – 2.5%		
Monsanto Company	61	\$ 7,145
		<u>7,145</u>
Food Retail – 1.5%		
Casey's General Stores, Inc.	61	4,262
		<u>4,262</u>
Footwear – 2.7%		
NIKE, Inc., Class B	99	7,754
		<u>7,754</u>
Health Care Facilities – 4.0%		
HCA Holdings, Inc. (A)	138	6,565
Universal Health Services, Inc., Class B	63	5,144
		<u>11,709</u>
Hotels, Resorts & Cruise Lines – 1.2%		
Hilton Worldwide Holdings Inc. (A)	18	407
Starwood Hotels & Resorts Worldwide, Inc.	38	3,003
		<u>3,410</u>
Hypermarkets & Super Centers – 1.2%		
Costco Wholesale Corporation	29	3,410
		<u>3,410</u>
Industrial Machinery – 3.8%		
Pall Corporation	54	4,617
Pentair, Inc.	82	6,400
		<u>11,017</u>
Internet Retail – 4.6%		
Amazon.com, Inc. (A)	18	7,210
priceline.com Incorporated (A)	6	6,393
		<u>13,603</u>
Internet Software & Services – 5.4%		
Facebook, Inc., Class A (A)	76	4,176
Google Inc., Class A (A)	8	9,077
LinkedIn Corporation, Class A (A)	12	2,494
		<u>15,747</u>
Movies & Entertainment – 1.4%		
News Corporation Limited, Class A	116	4,074
		<u>4,074</u>
Oil & Gas Equipment & Services – 5.1%		
Halliburton Company	83	4,227
National Oilwell Varco, Inc.	51	4,048
Schlumberger Limited	72	6,498
		<u>14,773</u>
Packaged Foods & Meats – 0.9%		
Mead Johnson Nutrition Company	30	2,546
		<u>2,546</u>
Personal Products – 1.5%		
Estee Lauder Companies, Inc. (The), Class A	58	4,331
		<u>4,331</u>

COMMON STOCKS (Continued)	Shares	Value
Pharmaceuticals – 1.4%		
Bristol-Myers Squibb Company	76	\$ 4,029
		<u>4,029</u>
Railroads – 5.6%		
Canadian Pacific Railway Limited	39	5,826
Kansas City Southern	49	6,117
Union Pacific Corporation	27	4,452
		<u>16,395</u>
Restaurants – 0.8%		
Potbelly Corporation (A)	2	39
Starbucks Corporation	28	2,171
		<u>2,210</u>
Semiconductor Equipment – 1.6%		
Applied Materials, Inc.	159	2,817
ASML Holding N.V., NY Registry Shares	19	1,825
		<u>4,642</u>
Semiconductors – 0.5%		
Altera Corporation	43	1,399
		<u>1,399</u>
Tobacco – 1.6%		
Philip Morris International Inc.	57	4,966
		<u>4,966</u>
Wireless Telecommunication Service – 2.5%		
Crown Castle International Corp. (A)	34	2,519
SBA Communications Corporation (A)	53	4,752
		<u>7,271</u>
TOTAL COMMON STOCKS – 97.6%		\$284,246
(Cost: \$184,530)		
SHORT-TERM SECURITIES	Principal	
Master Note – 0.1%		
Toyota Motor Credit Corporation, 0.091%, 1–7–14 (B)	\$249	249
TOTAL SHORT-TERM SECURITIES – 0.1%		\$ 249
(Cost: \$249)		
TOTAL INVESTMENT SECURITIES – 97.7%		\$284,495
(Cost: \$184,779)		
CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.3%		6,593
NET ASSETS – 100.0%		\$291,088

SCHEDULE OF INVESTMENTS

Tax-Managed Equity Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks	\$284,246	\$ —	\$ —
Short-Term Securities	—	249	—
Total	<u>\$284,246</u>	<u>\$249</u>	<u>\$ —</u>

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronym is used throughout this schedule:

ADR = American Depositary Receipts

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Value Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	96.1%
Financials	24.3%
Energy	19.9%
Consumer Discretionary	13.6%
Information Technology	12.9%
Health Care	12.3%
Materials	6.2%
Consumer Staples	4.8%
Industrials	2.1%
Cash and Cash Equivalents	3.9%

Lipper Rankings

Category: Lipper Large-Cap Value Funds	Rank	Percentile
1 Year	110/472	24
3 Year	260/417	63
5 Year	104/368	29
10 Year	84/237	36

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector
Citigroup Inc.	Financials
Western Digital Corporation	Information Technology
Xerox Corporation	Information Technology
Time Warner Cable Inc.	Consumer Discretionary
JPMorgan Chase & Co.	Financials
Wells Fargo & Company	Financials
LyondellBasell Industries N.V., Class A	Materials
Comcast Corporation, Class A	Consumer Discretionary
Atlas Pipeline Partners, L.P.	Energy
Target Corporation	Consumer Discretionary

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Value Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Apparel Retail – 0.1%		
Limited Brands, Inc.	13	\$ 810
Biotechnology – 1.9%		
Amgen Inc.	136	15,560
Cable & Satellite – 7.1%		
Comcast Corporation, Class A	487	25,323
Time Warner Cable Inc.	243	32,967
		<u>58,290</u>
Communications Equipment – 0.6%		
Nokia Corporation, Series A, ADR	586	4,754
Computer Storage & Peripherals – 4.4%		
Western Digital Corporation (A)	426	35,733
Department Stores – 2.0%		
Macy's Inc. (A)	311	16,581
Diversified Banks – 3.4%		
Wells Fargo & Company	609	27,658
Diversified Chemicals – 3.0%		
Dow Chemical Company (The)	545	24,176
Drug Retail – 2.8%		
CVS Caremark Corporation ..	321	22,959
General Merchandise Stores – 3.0%		
Target Corporation	389	24,637
Health Care Distributors – 2.2%		
McKesson Corporation	110	17,706
Health Care Facilities – 2.0%		
HCA Holdings, Inc. (B)	342	16,326
Home Improvement Retail – 1.4%		
Lowe's Companies, Inc.	224	11,094
Industrial Machinery – 2.1%		
Parker Hannifin Corporation	135	17,405
Integrated Oil & Gas – 2.9%		
Occidental Petroleum Corporation	245	23,271
Investment Banking & Brokerage – 2.9%		
Goldman Sachs Group, Inc. (The)	132	23,327
Life & Health Insurance – 2.5%		
MetLife, Inc.	379	20,457
Managed Health Care – 2.7%		
Aetna Inc.	319	21,873
Office Electronics – 4.2%		
Xerox Corporation	2,791	33,968

COMMON STOCKS (Continued)	Shares	Value
Oil & Gas Refining & Marketing – 5.2%		
Marathon Petroleum Corporation (A)	257	\$ 23,542
Phillips 66 (A)	245	18,924
		<u>42,466</u>
Oil & Gas Storage & Transportation – 11.8%		
Access Midstream Partners, L.P.	232	13,098
Atlas Energy, L.P.	515	24,104
Atlas Pipeline Partners, L.P.	713	24,977
MarkWest Energy Partners, L.P.	194	12,809
Regency Energy Partners LP	817	21,459
		<u>96,447</u>
Other Diversified Financial Services – 8.3%		
Citigroup Inc.	704	36,660
JPMorgan Chase & Co.	546	31,901
		<u>68,561</u>
Pharmaceuticals – 3.5%		
Shire Pharmaceuticals Group plc, ADR (A)	53	7,488
Teva Pharmaceutical Industries Limited, ADR ...	526	21,083
		<u>28,571</u>
Property & Casualty Insurance – 2.8%		
ACE Limited	219	22,652
Regional Banks – 2.3%		
PNC Financial Services Group, Inc. (The)	246	19,061
Reinsurance – 2.1%		
Reinsurance Group of America, Incorporated (A)	222	17,170
Semiconductor Equipment – 1.9%		
Lam Research Corporation (B)	290	15,779
Soft Drinks – 1.6%		
Coca-Cola Enterprises Inc. ...	288	12,723
Specialty Chemicals – 3.2%		
LyondellBasell Industries N.V., Class A	327	26,235
Systems Software – 1.8%		
Oracle Corporation	387	14,818
Tobacco – 0.4%		
Philip Morris International Inc.	41	3,590
TOTAL COMMON STOCKS – 96.1%		\$784,658
(Cost: \$562,270)		

SHORT-TERM SECURITIES	Principal	Value
Commercial Paper – 4.5%		
Danaher Corporation, 0.110%, 1–17–14 (C) ...	\$ 411	\$ 411
Diageo Capital plc (GTD by Diageo plc), 0.180%, 1–2–14 (C) ...	1,846	1,846
Exxon Mobil Corporation, 0.050%, 1–27–14 (C) ...	5,000	5,000
Federal Home Loan Bank, 0.050%, 2–28–14 (C) ...	5,000	4,999
General Mills, Inc., 0.140%, 1–6–14 (C) ...	5,000	5,000
International Business Machines Corporation, 0.070%, 1–14–14 (C) ...	3,500	3,500
St. Jude Medical, Inc.: 0.130%, 1–21–14 (C) ...	6,174	6,173
0.180%, 2–3–14 (C) ...	444	444
Wal-Mart Stores, Inc.: 0.060%, 1–6–14 (C) ...	5,000	5,000
0.050%, 2–10–14 (C) ...	4,000	4,000
		<u>36,373</u>
United States Government Agency Obligations – 0.2%		
Overseas Private Investment Corporation (GTD by United States Government), 0.120%, 1–7–14 (D) ...	1,803	1,803
TOTAL SHORT-TERM SECURITIES – 4.7%		\$ 38,176
(Cost: \$38,176)		
TOTAL INVESTMENT SECURITIES – 100.8%		\$822,834
(Cost: \$600,446)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.8%)		(6,402)
NET ASSETS – 100.0%		\$816,432

SCHEDULE OF INVESTMENTS

Value Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

Notes to Schedule of Investments

(A) All or a portion of the security position is held in collateralized accounts to cover potential obligations with respect to outstanding written options.

(B) No dividends were paid during the preceding 12 months.

(C) Rate shown is the yield to maturity at December 31, 2013.

(D) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following written options were outstanding at December 31, 2013 (contracts and exercise prices unrounded):

Underlying Security	Counterparty, if OTC	Type	Number of Contracts	Expiration Month	Exercise Price	Premium Received	Value
Limited Brands, Inc.	N/A	Put	479	January 2014	\$ 60.00	\$ 49	\$ (31)
	N/A	Put	479	February 2014	60.00	75	(75)
	N/A	Put	479	May 2014	60.00	167	(148)
Lyondell Basell Industries N.V., Class A	N/A	Put	498	January 2014	70.00	59	(4)
Macy's Inc.	N/A	Call	812	January 2014	52.50	32	(123)
Marathon Petroleum Corporation	N/A	Call	533	January 2014	75.00	63	(886)
	N/A	Call	533	January 2014	77.50	37	(762)
	N/A	Call	533	January 2014	80.00	26	(632)
	N/A	Call	266	April 2014	77.50	305	(412)
Phillips 66	N/A	Call	533	January 2014	67.50	45	(515)
	N/A	Call	533	January 2014	70.00	26	(386)
	N/A	Call	533	January 2014	72.50	15	(261)
	N/A	Call	266	February 2014	70.00	131	(209)
Reinsurance Group of America, Incorporated	N/A	Call	710	January 2014	75.00	45	(172)
	N/A	Call	710	January 2014	80.00	6	(21)
	N/A	Call	709	April 2014	80.00	28	(117)
Shire Pharmaceuticals Group plc, ADR	N/A	Call	530	January 2014	145.00	112	(70)
Western Digital Corporation	N/A	Put	520	January 2014	60.00	37	(3)
	N/A	Call	197	January 2014	90.00	20	(7)
						\$1,278	\$ (4,834)

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks	\$784,658	\$ —	\$ —
Short-Term Securities	—	38,176	—
Total	\$784,658	\$38,176	\$ —
Liabilities			
Written Options	\$ 4,305	\$ 529	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronyms are used throughout this schedule:

ADR = American Depositary Receipts

GTD = Guaranteed

OTC = Over the Counter

See Accompanying Notes to Financial Statements.

PORTFOLIO HIGHLIGHTS

Vanguard Fund

ALL DATA IS AS OF DECEMBER 31, 2013 (UNAUDITED)

Asset Allocation

Stocks	99.1%
Consumer Discretionary	31.2%
Information Technology	23.9%
Industrials	16.1%
Health Care	14.8%
Consumer Staples	3.6%
Materials	3.5%
Energy	2.7%
Telecommunication Services	2.2%
Financials	1.1%
Cash and Cash Equivalents	0.9%

Lipper Rankings

Category: Lipper Large-Cap Growth Funds	Rank	Percentile
1 Year	256/723	36
3 Year	270/609	45
5 Year	450/536	84
10 Year	119/376	32

Past performance is no guarantee of future results. Rankings are for Class A shares and are based on average annual total returns, but do not consider sales charges. Rankings for other share classes may vary.

Top 10 Equity Holdings

Company	Sector
MasterCard Incorporated, Class A	Information Technology
Gilead Sciences, Inc.	Health Care
Las Vegas Sands, Inc.	Consumer Discretionary
Biogen Idec Inc.	Health Care
Visa Inc., Class A	Information Technology
Wynn Resorts, Limited	Consumer Discretionary
Google Inc., Class A	Information Technology
Canadian Pacific Railway Limited	Industrials
CBS Corporation, Class B	Consumer Discretionary
Apple Inc.	Information Technology

See your advisor or www.waddell.com for more information on the Fund's most recently published Top 10 Equity Holdings.

SCHEDULE OF INVESTMENTS

Vanguard Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

COMMON STOCKS	Shares	Value
Aerospace & Defense – 4.3%		
Boeing Company (The)	266	\$ 36,306
Precision Castparts Corp. . . .	102	27,496
		<u>63,802</u>
Apparel Retail – 0.7%		
Limited Brands, Inc.	169	10,471
		<u>10,471</u>
Apparel, Accessories & Luxury Goods – 0.9%		
lululemon athletica inc. (A)	75	4,421
Under Armour, Inc., Class A (A)	101	8,791
		<u>13,212</u>
Application Software – 1.0%		
Adobe Systems Incorporated (A)	248	14,874
		<u>14,874</u>
Automotive Retail – 1.5%		
AutoZone, Inc. (A)	25	11,949
O'Reilly Automotive, Inc. (A)	81	10,361
		<u>22,310</u>
Biotechnology – 8.3%		
Biogen Idec Inc. (A)	208	58,188
Gilead Sciences, Inc. (A)	853	64,103
		<u>122,291</u>
Brewers – 2.2%		
Anheuser-Busch InBev S.A., ADR	311	33,067
		<u>33,067</u>
Broadcasting – 2.9%		
CBS Corporation, Class B	665	42,400
		<u>42,400</u>
Cable & Satellite – 2.6%		
Comcast Corporation, Class A	441	22,912
Time Warner Cable Inc.	118	16,043
		<u>38,955</u>
Casinos & Gaming – 7.5%		
Las Vegas Sands, Inc.	799	63,040
Wynn Resorts, Limited	245	47,504
		<u>110,544</u>
Commercial Serv-Finance – 1.0%		
FleetCor Technologies, Inc. (A)	129	15,103
		<u>15,103</u>
Computer Hardware – 2.8%		
Apple Inc.	73	41,073
		<u>41,073</u>
Consumer Electronics – 1.7%		
Harman International Industries, Incorporated	302	24,702
		<u>24,702</u>
Data Processing & Outsourced Services – 8.0%		
MasterCard Incorporated, Class A	81	67,672
Visa Inc., Class A	230	51,239
		<u>118,911</u>

COMMON STOCKS (Continued)	Shares	Value
Diversified Chemicals – 1.5%		
PPG Industries, Inc.	118	\$22,304
		<u>\$22,304</u>
Electronic Compo-Semicon – 1.3%		
Xilinx, Inc.	429	19,690
		<u>19,690</u>
Fertilizers & Agricultural Chemicals – 2.0%		
Monsanto Company	257	30,000
		<u>30,000</u>
Footwear – 1.9%		
NIKE, Inc., Class B	363	28,515
		<u>28,515</u>
Health Care Facilities – 1.5%		
HCA Holdings, Inc. (A)	470	22,424
		<u>22,424</u>
Home Improvement Retail – 2.5%		
Home Depot, Inc. (The)	456	37,531
		<u>37,531</u>
Hotels, Resorts & Cruise Lines – 0.1%		
Hilton Worldwide Holdings Inc. (A)	93	2,069
		<u>2,069</u>
Industrial Machinery – 4.3%		
Flowserve Corporation	195	15,395
Pall Corporation	194	16,524
Pentair, Inc.	403	31,317
		<u>63,236</u>
Internet Retail – 2.9%		
Amazon.com, Inc. (A)	80	31,703
priceline.com Incorporated (A)	9	10,810
		<u>42,513</u>
Internet Software & Services – 6.5%		
Facebook, Inc., Class A (A)	579	31,632
Google Inc., Class A (A)	40	44,268
LinkedIn Corporation, Class A (A)	96	20,881
		<u>96,781</u>
IT Consulting & Other Services – 0.9%		
Cognizant Technology Solutions Corporation, Class A (A)	126	12,734
		<u>12,734</u>
Medical-Biomedical/Gene – 2.7%		
Celgene Corporation (A)	242	40,804
		<u>40,804</u>
Motorcycle Manufacturers – 2.7%		
Harley-Davidson, Inc.	587	40,665
		<u>40,665</u>
Movies & Entertainment – 1.0%		
News Corporation Limited, Class A	412	14,505
		<u>14,505</u>
Multi-Line Insurance – 1.1%		
American International Group, Inc.	331	16,882
		<u>16,882</u>

COMMON STOCKS (Continued)	Shares	Value
Oil & Gas Equipment & Services – 2.7%		
National Oilwell Varco, Inc.	157	\$ 12,462
Schlumberger Limited	314	28,284
		<u>40,746</u>
Pharmaceuticals – 2.3%		
Bristol-Myers Squibb Company	371	19,692
Shire Pharmaceuticals Group plc, ADR	106	14,906
		<u>34,598</u>
Railroads – 7.1%		
Canadian Pacific Railway Limited	288	43,519
Kansas City Southern	229	28,407
Union Pacific Corporation	208	35,011
		<u>106,937</u>
Research & Consulting Services – 0.4%		
Verisk Analytics, Inc., Class A (A)	84	5,494
		<u>5,494</u>
Restaurants – 1.5%		
Starbucks Corporation	283	22,216
		<u>22,216</u>
Semiconductor Equipment – 2.4%		
Applied Materials, Inc.	1,991	35,221
		<u>35,221</u>
Specialty Stores – 0.8%		
Ulta Salon, Cosmetics & Fragrance, Inc. (A)	127	12,210
		<u>12,210</u>
Tobacco – 1.4%		
Philip Morris International Inc.	234	20,362
		<u>20,362</u>
Wireless Telecommunication Service – 2.2%		
American Tower Corporation, Class A	140	11,183
Crown Castle International Corp. (A)	286	21,030
		<u>32,213</u>
TOTAL COMMON STOCKS – 99.1%		\$1,472,365
(Cost: \$937,437)		
SHORT-TERM SECURITIES	Principal	
Commercial Paper – 1.0%		
Federal Home Loan Bank, 0.050%, 2–28–14 (B)	\$4,000	4,000
Kellogg Co., 0.130%, 1–8–14 (B)	5,000	5,000
McCormick & Co. Inc., 0.100%, 1–2–14 (B)	5,196	5,196
		<u>14,196</u>

SCHEDULE OF INVESTMENTS

Vanguard Fund *(in thousands)*

DECEMBER 31, 2013 (UNAUDITED)

SHORT-TERM SECURITIES

(Continued)

	Principal	Value
Master Note – 0.0%		
Toyota Motor Credit Corporation, 0.091%, 1–7–14 (C) . . .	\$454	\$ 454
TOTAL SHORT-TERM SECURITIES – 1.0%		\$ 14,650
(Cost: \$14,649)		
TOTAL INVESTMENT SECURITIES – 100.1%		\$1,487,015
(Cost: \$952,086)		
LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.1%)		(1,688)
NET ASSETS – 100.0%		\$1,485,327

Notes to Schedule of Investments

(A) No dividends were paid during the preceding 12 months.

(B) Rate shown is the yield to maturity at December 31, 2013.

(C) Variable rate security. Interest rate disclosed is that which is in effect at December 31, 2013. Date shown represents the date that the variable rate resets.

The following table is a summary of the valuation of the Fund's investments by the fair value hierarchy levels as of December 31, 2013. See Note 3 to the Financial Statements for further information regarding fair value measurement.

	Level 1	Level 2	Level 3
Assets			
Investments in Securities			
Common Stocks	\$1,472,365	\$ —	\$ —
Short-Term Securities	—	14,650	—
Total	\$1,472,365	\$14,650	\$ —

As of December 31, 2013, there were no transfers between Level 1 and 2 during the period.

The following acronym is used throughout this schedule:

ADR = American Depositary Receipt

See Accompanying Notes to Financial Statements.

STATEMENTS OF ASSETS AND LIABILITIES

Waddell & Reed Advisors Funds

AS OF DECEMBER 31, 2013 (UNAUDITED)

(In thousands, except per share amounts)	Accumulative Fund	Asset Strategy Fund ⁽¹⁾	Continental Income Fund	Core Investment Fund	Dividend Opportunities Fund	Energy Fund	International Growth Fund
ASSETS							
Investments in unaffiliated securities at value+	\$1,295,707	\$3,370,150	\$1,161,062	\$4,169,710	\$712,047	\$247,977	\$598,989
Bullion at value+	—	275,767	—	—	—	—	—
Investments at Value	1,295,707	3,645,917	1,161,062	4,169,710	712,047	247,977	598,989
Cash	—*	20,256	1	—	—*	1	—
Cash denominated in foreign currencies at value+	—	659	—	—	—	—	13,684
Restricted cash	—	10,668	—	—	—	—	1,413
Investment securities sold receivable	370	1,319	—	—	2,999	—	—
Dividends and interest receivable	976	14,023	2,603	5,129	1,162	192	778
Capital shares sold receivable	411	13,743	2,565	4,831	531	393	730
Unrealized appreciation on forward foreign currency contracts	—	18,426	—	—	—	—	1,194
Variation margin receivable	—	200	—	—	—	—	—
Prepaid and other assets	70	102	94	144	43	38	55
Total Assets	1,297,534	3,725,313	1,166,325	4,179,814	716,782	248,601	616,843
LIABILITIES							
Investment securities purchased payable	2,079	—	—	—	—	2,929	9,098
Capital shares redeemed payable	2,404	4,889	1,840	9,347	1,304	301	826
Trustees and Chief Compliance Officer fees payable	399	340	222	986	72	18	172
Overdraft due to custodian	—	—	—	3	—	—	260
Distribution and service fees payable	9	27	8	29	5	2	4
Shareholder servicing payable	237	714	213	674	226	103	165
Investment management fee payable	23	64	22	69	14	6	14
Accounting services fee payable	24	21	23	22	14	8	13
Unrealized depreciation on forward foreign currency contracts	—	—	—	—	—	—	1,220
Written options at value+	309	1,199	—	—	—	—	—
Other liabilities	24	338	14	52	17	9	20
Total Liabilities	5,508	7,592	2,342	11,182	1,652	3,376	11,792
Total Net Assets	\$1,292,026	\$3,717,721	\$1,163,983	\$4,168,632	\$715,130	\$245,225	\$605,051
NET ASSETS							
Capital paid in (shares authorized – unlimited)	\$ 913,471	\$2,688,381	\$ 919,048	\$2,880,571	\$462,615	\$177,795	\$497,735
Undistributed (distributions in excess of) net investment income	120	2,476	(270)	(268)	808	(884)	(5,675)
Accumulated net realized gain (loss)	22,186	11,267	(24,280)	110,699	15,609	(17,277)	(31,597)
Net unrealized appreciation	356,249	1,015,597	269,485	1,177,630	236,098	85,591	144,588
Total Net Assets	\$1,292,026	\$3,717,721	\$1,163,983	\$4,168,632	\$715,130	\$245,225	\$605,051
CAPITAL SHARES OUTSTANDING:							
Class A	117,083	296,209	113,266	556,934	37,229	15,100	44,180
Class B	644	4,794	595	2,625	358	187	159
Class C	592	6,531	1,441	3,354	542	218	158
Class Y	376	8,899	654	12,659	96	156	5,310
NET ASSET VALUE PER SHARE:							
Class A	\$10.90	\$11.76	\$10.04	\$7.25	\$18.71	\$15.68	\$12.15
Class B	9.72	11.45	9.97	6.34	18.39	14.37	11.19
Class C	9.87	11.50	10.02	6.44	18.48	14.75	11.60
Class Y	10.94	11.79	10.04	7.28	18.72	16.26	12.14
+ COST							
Investments in unaffiliated securities at cost	\$ 939,804	\$2,387,563	\$ 891,577	\$2,992,076	\$475,949	\$162,386	\$454,730
Bullion at cost	—	267,417	—	—	—	—	—
Cash denominated in foreign currencies at cost	—	615	—	—	—	—	13,308
Written options premiums received at cost	651	2,188	—	—	—	—	—

*Not shown due to rounding.

(1) Consolidated Statement of Assets and Liabilities (See Note 6 in Notes to Financial Statements).

See Accompanying Notes to Financial Statements.

STATEMENTS OF ASSETS AND LIABILITIES

Waddell & Reed Advisors Funds

AS OF DECEMBER 31, 2013 (UNAUDITED)

(In thousands, except per share amounts)	New Concepts Fund	Science and Technology Fund	Small Cap Fund	Tax-Managed Equity Fund	Value Fund	Vanguard Fund
ASSETS						
Investments in unaffiliated securities at value+	\$1,811,886	\$3,313,220	\$914,960	\$284,495	\$822,834	\$1,487,015
Investments in affiliated securities at value+	—	462,416	—	—	—	—
Investments at Value	1,811,886	3,775,636	914,960	284,495	822,834	1,487,015
Cash	58	450	—	1	—*	1
Investment securities sold receivable	1,213	5,541	—	9,471	1,606	—
Dividends and interest receivable	678	1,740	330	225	807	1,054
Capital shares sold receivable	2,590	4,078	1,743	467	1,497	1,067
Unrealized appreciation on swap agreements	—	—	103	—	—	—
Prepaid and other assets	67	95	56	25	59	83
Total Assets	1,816,492	3,787,540	917,192	294,684	826,803	1,489,220
LIABILITIES						
Investment securities purchased payable	1,558	13,424	—	3,249	4,244	—
Capital shares redeemed payable	2,614	7,821	1,291	269	932	3,104
Trustees and Chief Compliance Officer fees payable	267	504	158	20	91	356
Overdraft due to custodian	—	—	3	—	—	—
Distribution and service fees payable	12	26	6	2	6	10
Shareholder servicing payable	460	668	288	37	217	336
Investment management fee payable	41	83	21	5	15	27
Accounting services fee payable	22	22	19	7	15	25
Written options at value+	750	2,879	—	—	4,834	—
Other liabilities	35	50	22	7	17	35
Total Liabilities	5,759	25,477	1,808	3,596	10,371	3,893
Total Net Assets	\$1,810,733	\$3,762,063	\$915,384	\$291,088	\$816,432	\$1,485,327
NET ASSETS						
Capital paid in (shares authorized – unlimited)	\$1,210,889	\$2,011,108	\$567,971	\$188,081	\$584,536	\$ 926,188
Undistributed (distributions in excess of) net investment income	(11,800)	(19,734)	(6,775)	8	4,136	(214)
Accumulated net realized gain	47,917	128,509	19,132	3,283	8,928	24,424
Net unrealized appreciation	563,727	1,642,180	335,056	99,716	218,832	534,929
Total Net Assets	\$1,810,733	\$3,762,063	\$915,384	\$291,088	\$816,432	\$1,485,327
CAPITAL SHARES OUTSTANDING:						
Class A	146,241	222,927	49,424	17,136	48,310	139,215
Class B	1,220	2,156	764	52	326	922
Class C	1,373	1,815	782	284	447	827
Class Y	6,731	7,717	1,003	N/A	614	8,206
NET ASSET VALUE PER SHARE:						
Class A	\$11.64	\$16.05	\$17.67	\$16.70	\$16.44	\$9.95
Class B	8.94	12.23	14.28	14.77	15.61	7.85
Class C	9.21	12.39	14.97	14.75	15.82	8.00
Class Y	12.68	17.64	19.41	N/A	16.49	10.46
+COST						
Investments in unaffiliated securities at cost	\$1,248,113	\$1,890,404	\$580,008	\$184,779	\$600,446	\$ 952,086
Investments in affiliated securities at cost	—	243,560	—	—	—	—
Written options premiums received at cost	703	3,382	—	—	1,278	—

*Not shown due to rounding.

STATEMENTS OF OPERATIONS

Waddell & Reed Advisors Funds

FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 (UNAUDITED)

(In thousands)	Accumulative Fund	Asset Strategy Fund ⁽¹⁾	Continental Income Fund	Core Investment Fund	Dividend Opportunities Fund	Energy Fund	International Growth Fund
INVESTMENT INCOME							
Dividends from unaffiliated securities	\$ 8,271	\$ 17,618	\$ 6,492	\$ 29,489	\$ 8,763	\$ 1,246	\$ 4,022
Foreign dividend withholding tax	(96)	(559)	(39)	(239)	(30)	(31)	(296)
Interest and amortization from unaffiliated securities	9	8,229	3,555	42	6	4	25
Foreign interest withholding tax	—	—*	—	—	—	—	(1)
Total Investment Income	8,184	25,288	10,008	29,292	8,739	1,219	3,750
EXPENSES							
Investment management fee	4,237	10,971	3,600	12,161	2,497	1,007	2,426
Distribution and service fees:							
Class A	1,513	4,058	1,260	4,684	869	286	634
Class B	32	271	29	81	33	14	9
Class C	28	356	62	98	49	16	9
Shareholder servicing:							
Class A	1,031	3,052	930	2,958	928	449	709
Class B	21	110	16	47	22	11	8
Class C	11	89	17	34	18	8	5
Class Y	3	52	5	67	2	2	45
Registration fees	30	67	55	67	36	30	33
Custodian fees	14	129	11	25	8	1	25
Trustees and Chief Compliance Officer fees	80	114	51	221	24	7	36
Accounting services fee	132	130	123	130	85	46	77
Professional fees	40	88	34	78	29	21	30
Other	32	178	21	79	24	19	35
Total Expenses	7,204	19,665	6,214	20,730	4,624	1,917	4,081
Less:							
Expenses in excess of limit	(310)	(50)	(98)	(321)	—	—	(86)
Total Net Expenses	6,894	19,615	6,116	20,409	4,624	1,917	3,995
Net Investment Income (Loss)	1,290	5,673	3,892	8,883	4,115	(698)	(245)
REALIZED AND UNREALIZED GAIN (LOSS)							
Net realized gain (loss) on:							
Investments in unaffiliated securities	95,248	232,226	15,380	323,309	77,275	19,912	12,630
Futures contracts	—	(24,560)	—	—	—	—	—
Written options	2,947	12,194	—	—	—	—	—
Swap agreements capital gains tax	—	—	—	—	—	—	(969)
Forward foreign currency contracts	—	15,164	—	—	—	—	66
Foreign currency exchange transactions	(1)	68	5	—	1	(1)	157
Net change in unrealized appreciation (depreciation) on:							
Investments in unaffiliated securities	111,274	375,771	108,097	351,555	24,934	11,263	83,683
Futures contracts	—	6,942	—	—	—	—	—
Written options	343	1,679	—	—	—	—	—
Forward foreign currency contracts	—	12,899	—	—	—	—	(4,988)
Foreign currency exchange transactions	5	263	—	9	—	—*	34
Net Realized and Unrealized Gain	209,816	632,646	123,482	674,873	102,210	31,174	90,613
Net Increase in Net Assets Resulting from Operations	\$211,106	\$638,319	\$127,374	\$683,756	\$106,325	\$30,476	\$90,368

*Not shown due to rounding.

(1) Consolidated Statement of Operations (See Note 6 in Notes to Financial Statements).

See Accompanying Notes to Financial Statements.

STATEMENTS OF OPERATIONS

Waddell & Reed Advisors Funds

FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 (UNAUDITED)

(In thousands)	New Concepts Fund	Science and Technology Fund	Small Cap Fund	Tax-Managed Equity Fund	Value Fund	Vanguard Fund
INVESTMENT INCOME						
Dividends from unaffiliated securities	\$ 7,051	\$ 9,396	\$ 1,626	\$ 1,584	\$ 5,563	\$ 9,236
Dividends from affiliated securities	—	571	—	—	—	—
Foreign dividend withholding tax	(43)	(31)	—	(10)	(48)	(68)
Interest and amortization from unaffiliated securities	28	294	12	4	22	3
Total Investment Income	7,036	10,230	1,638	1,578	5,537	9,171
EXPENSES						
Investment management fee	7,309	13,716	3,730	869	2,583	4,941
Distribution and service fees:						
Class A	2,033	3,977	1,031	329	896	1,680
Class B	56	123	54	4	25	35
Class C	61	98	56	20	34	32
Shareholder servicing:						
Class A	2,006	2,696	1,228	162	938	1,433
Class B	35	61	35	1	17	24
Class C	24	34	20	4	13	15
Class Y	66	91	24	—	7	64
Registration fees	46	59	37	24	43	39
Custodian fees	16	91	15	5	10	18
Trustees and Chief Compliance Officer fees	73	137	39	8	28	79
Accounting services fee	130	130	109	46	91	134
Professional fees	46	77	37	18	32	43
Other	46	71	32	11	36	43
Total Expenses	11,947	21,361	6,447	1,501	4,753	8,580
Less:						
Expenses in excess of limit	(101)	(101)	(88)	(18)	(37)	(151)
Total Net Expenses	11,846	21,260	6,359	1,483	4,716	8,429
Net Investment Income (Loss)	(4,810)	(11,030)	(4,721)	95	821	742
REALIZED AND UNREALIZED GAIN (LOSS)						
Net realized gain (loss) on:						
Investments in unaffiliated securities	116,015	114,938	71,976	13,365	40,107	120,812
Investments in affiliated securities	—	62,468	—	—	—	—
Written options	765	390	—	—	(574)	—
Swap agreements	—	—	2,999	—	—	—
Foreign currency exchange transactions	(2)	(141)	—	—	—	—
Net change in unrealized appreciation (depreciation) on:						
Investments in unaffiliated securities	170,708	706,683	94,743	43,424	65,423	183,300
Investments in affiliated securities	—	(26,355)	—	—	—	—
Written options	(66)	503	—	—	(3,561)	—
Swap agreements	—	—	375	—	—	—
Foreign currency exchange transactions	1	(108)	—	—	—	—
Net Realized and Unrealized Gain	287,421	858,378	170,093	56,789	101,395	304,112
Net Increase in Net Assets Resulting from Operations	\$282,611	\$847,348	\$165,372	\$56,884	\$102,216	\$304,854

See Accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

Waddell & Reed Advisors Funds

	Accumulative Fund		Asset Strategy Fund ⁽¹⁾		Continental Income Fund	
	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13
(In thousands)						
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income	\$ 1,290	\$ 8,725	\$ 5,673	\$ 39,718	\$ 3,892	\$ 8,468
Net realized gain on investments	98,194	121,906	235,092	425,612	15,385	65,111
Net change in unrealized appreciation (depreciation)	111,622	47,685	397,554	(9,912)	108,097	16,635
Net Increase in Net Assets Resulting from Operations	211,106	178,316	638,319	455,418	127,374	90,214
Distributions to Shareholders From:						
Net investment income:						
Class A	(3,058)	(5,930)	(13,674)	(61,809)	(4,821)	(8,212)
Class B	—	(1)	—	(538)	—	(17)
Class C	—	(7)	—	(764)	—	(35)
Class Y	(19)	(24)	(495)	(2,431)	(36)	(73)
Net realized gains:						
Class A	(562)	—	(140,388)	—	(50,957)	(29,299)
Class B	(3)	—	(2,328)	—	(274)	(255)
Class C	(3)	—	(3,126)	—	(644)	(373)
Class Y	(2)	—	(3,058)	—	(291)	(212)
Total Distributions to Shareholders	(3,647)	(5,962)	(163,069)	(65,542)	(57,023)	(38,476)
Capital Share Transactions	(54,878)	(129,765)	131,700	(123,809)	231,297	157,158
Net Increase in Net Assets	152,581	42,589	606,950	266,067	301,648	208,896
Net Assets, Beginning of Period	1,139,445	1,096,856	3,110,771	2,844,704	862,335	653,439
Net Assets, End of Period	\$1,292,026	\$1,139,445	\$3,717,721	\$3,110,771	\$1,163,983	\$862,335
Undistributed (distributions in excess of) net investment income	\$ 120	\$ 1,908	\$ 2,476	\$ 10,904	\$ (270)	\$ 690

(1) Consolidated Statement of Changes in Net Assets (See Note 6 in Notes to Financial Statements).

See Accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

Waddell & Reed Advisors Funds

	Core Investment Fund		Dividend Opportunities Fund		Energy Fund	
	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13
(In thousands)						
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income (loss)	\$ 8,883	\$ 17,769	\$ 4,115	\$ 9,630	\$ (698)	\$ (1,344)
Net realized gain on investments	323,309	426,693	77,276	55,927	19,911	4,610
Net change in unrealized appreciation	351,564	113,432	24,934	51,537	11,263	38,112
Net Increase in Net Assets Resulting from Operations	683,756	557,894	106,325	117,094	30,476	41,378
Distributions to Shareholders From:						
Net investment income:						
Class A	(14,949)	(13,118)	(5,172)	(8,943)	—	—
Class B	—	—	(8)	(33)	—	—
Class C	—	—	(22)	(64)	—	—
Class Y	(559)	(440)	(16)	(160)	—	—
Net realized gains:						
Class A	(514,541)	(179,972)	(36,789)	—	—	—
Class B	(2,337)	(1,057)	(364)	—	—	—
Class C	(2,926)	(994)	(532)	—	—	—
Class Y	(11,681)	(3,650)	(95)	—	—	—
Total Distributions to Shareholders	(546,993)	(199,231)	(42,998)	(9,200)	—	—
Capital Share Transactions	563,210	159,420	(51,717)	(121,761)	(1,465)	(18,283)
Net Increase (Decrease) in Net Assets	699,973	518,083	11,610	(13,867)	29,011	23,095
Net Assets, Beginning of Period	3,468,659	2,950,576	703,520	717,387	216,214	193,119
Net Assets, End of Period	\$4,168,632	\$3,468,659	\$715,130	\$ 703,520	\$245,225	\$216,214
Undistributed (distributions in excess of) net investment income						
	\$ (268)	\$ 6,357	\$ 808	\$ 1,910	\$ (884)	\$ (185)

See Accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

Waddell & Reed Advisors Funds

	International Growth Fund		New Concepts Fund		Science and Technology Fund	
	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13
(In thousands)						
INCREASE (DECREASE) IN NET ASSETS						
Operations:						
Net investment income (loss)	\$ (245)	\$ 4,721	\$ (4,810)	\$ (9,013)	\$ (11,030)	\$ (16,905)
Net realized gain on investments	11,884	23,861	116,778	146,058	177,655	276,820
Net change in unrealized appreciation	78,729	36,509	170,643	128,278	680,723	451,916
Net Increase in Net Assets Resulting from Operations	90,368	65,091	282,611	265,323	847,348	711,831
Distributions to Shareholders From:						
Net investment income:						
Class A	(7,814)	(745)	—	—	—	—
Class B	—*	—	—	—	—	—
Class C	(6)	—	—	—	—	—
Class Y	(1,152)	(396)	—	—	—	—
Net realized gains:						
Class A	—	—	(161,249)	(54,878)	(279,900)	(46,472)
Class B	—	—	(1,290)	(591)	(2,680)	(568)
Class C	—	—	(1,440)	(508)	(2,193)	(340)
Class Y	—	—	(7,690)	(2,475)	(9,648)	(1,552)
Total Distributions to Shareholders	(8,972)	(1,141)	(171,669)	(58,452)	(294,421)	(48,932)
Capital Share Transactions	493	(18,378)	121,626	(16,570)	308,065	(45,135)
Net Increase in Net Assets	81,889	45,572	232,568	190,301	860,992	617,764
Net Assets, Beginning of Period	523,162	477,590	1,578,165	1,387,864	2,901,071	2,283,307
Net Assets, End of Period	\$605,051	\$523,162	\$1,810,733	\$1,578,165	\$3,762,063	\$2,901,071
Undistributed (distributions in excess of) net investment income	\$ (5,675)	\$ 3,385	\$ (11,800)	\$ (6,988)	\$ (19,734)	\$ (8,563)

*Not shown due to rounding.

See Accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

Waddell & Reed Advisors Funds

	Small Cap Fund		Tax-Managed Equity Fund	
	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13
(In thousands)				
INCREASE (DECREASE) IN NET ASSETS				
Operations:				
Net investment income (loss)	\$ (4,721)	\$ (7,281)	\$ 95	\$ 905
Net realized gain on investments	74,975	75,715	13,365	16,833
Net change in unrealized appreciation	95,118	73,085	43,424	13,892
Net Increase in Net Assets Resulting from Operations	165,372	141,519	56,884	31,630
Distributions to Shareholders From:				
Net investment income:				
Class A	—	—	(66)	(777)
Class B	—	—	—	—
Class C	—	—	—	—
Class Y	—	—	N/A	N/A
Net realized gains:				
Class A	(112,070)	(32,824)	(23,156)	(5,459)
Class B	(1,668)	(651)	(65)	(22)
Class C	(1,706)	(533)	(353)	(85)
Class Y	(2,296)	(1,426)	N/A	N/A
Total Distributions to Shareholders	(117,740)	(35,434)	(23,640)	(6,343)
Capital Share Transactions	71,919	(13,307)	20,682	5,416
Net Increase in Net Assets	119,551	92,778	53,926	30,703
Net Assets, Beginning of Period	795,833	703,055	237,162	206,459
Net Assets, End of Period	\$ 915,384	\$ 795,833	\$ 291,088	\$ 237,162
Undistributed (distributions in excess of) net investment income	\$ (6,775)	\$ (2,054)	\$ 8	\$ (21)

See Accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

Waddell & Reed Advisors Funds

	Value Fund		Vanguard Fund	
	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13	Six months ended 12-31-13 (Unaudited)	Year ended 6-30-13
(In thousands)				
INCREASE (DECREASE) IN NET ASSETS				
Operations:				
Net investment income	\$ 821	\$ 4,440	\$ 742	\$ 3,427
Net realized gain on investments	39,533	26,719	120,812	183,100
Net change in unrealized appreciation (depreciation)	61,862	109,624	183,300	(12,127)
Net Increase in Net Assets Resulting from Operations	102,216	140,783	304,854	174,400
Distributions to Shareholders From:				
Net investment income:				
Class A	(1,925)	(5,788)	(119)	(2,020)
Class B	—	(7)	—	—
Class C	—	(16)	—	—
Class Y	(58)	(116)	(118)	(211)
Net realized gains:				
Class A	(38,383)	—	(206,576)	(55,379)
Class B	(247)	—	(1,299)	(400)
Class C	(339)	—	(1,162)	(303)
Class Y	(491)	—	(12,030)	(2,794)
Total Distributions to Shareholders	(41,443)	(5,927)	(221,304)	(61,107)
Capital Share Transactions	89,480	43,346	36,199	(105,330)
Net Increase in Net Assets	150,253	178,202	119,749	7,963
Net Assets, Beginning of Period	666,179	487,977	1,365,578	1,357,615
Net Assets, End of Period	\$816,432	\$666,179	\$1,485,327	\$1,365,578
Undistributed (distributions in excess of) net investment income	\$ 4,136	\$ 5,298	\$ (214)	\$ (719)

See Accompanying Notes to Financial Statements.

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FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

ACCUMULATIVE FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Total Distributions
Class A Shares							
Six-month period ended							
12-31-2013 (unaudited)	\$9.18	\$ 0.01	\$ 1.74	\$ 1.75	\$(0.03)	\$—*	\$(0.03)
Year ended 6-30-2013	7.87	0.07	1.29	1.36	(0.05)	—	(0.05)
Year ended 6-30-2012	7.90	(0.01)	(0.02)	(0.03)	—*	—	—*
Year ended 6-30-2011	5.93	0.00	1.98	1.98	(0.01)	—	(0.01)
Year ended 6-30-2010	5.43	0.03	0.50	0.53	(0.03)	—	(0.03)
Year ended 6-30-2009	7.96	0.04	(2.54)	(2.50)	(0.03)	—	(0.03)
Class B Shares							
Six-month period ended							
12-31-2013 (unaudited)	8.22	(0.05)	1.55	1.50	—	—*	—*
Year ended 6-30-2013	7.10	(0.04)	1.16	1.12	—*	—	—*
Year ended 6-30-2012	7.22	(0.10)	(0.02)	(0.12)	—	—	—
Year ended 6-30-2011	5.47	(0.08)	1.83	1.75	—	—	—
Year ended 6-30-2010	5.05	(0.05)	0.47	0.42	—	—	—
Year ended 6-30-2009	7.46	(0.03)	(2.38)	(2.41)	—	—	—
Class C Shares							
Six-month period ended							
12-31-2013 (unaudited)	8.34	(0.03)	1.56	1.53	—	—*	—*
Year ended 6-30-2013	7.19	(0.02)	1.18	1.16	(0.01)	—	(0.01)
Year ended 6-30-2012	7.29	(0.08)	(0.02)	(0.10)	—	—	—
Year ended 6-30-2011	5.52	(0.07)	1.84	1.77	—	—	—
Year ended 6-30-2010	5.09	(0.04)	0.47	0.43	—	—	—
Year ended 6-30-2009	7.50	(0.03)	(2.38)	(2.41)	—	—	—
Class Y Shares							
Six-month period ended							
12-31-2013 (unaudited)	9.23	0.02	1.74	1.76	(0.05)	—*	(0.05)
Year ended 6-30-2013	7.90	0.09	1.30	1.39	(0.06)	—	(0.06)
Year ended 6-30-2012	7.92	0.02	(0.03)	(0.01)	(0.01)	—	(0.01)
Year ended 6-30-2011	5.94	0.03	1.98	2.01	(0.03)	—	(0.03)
Year ended 6-30-2010	5.44	0.04	0.50	0.54	(0.04)	—	(0.04)
Year ended 6-30-2009	7.99	0.05	(2.55)	(2.50)	(0.05)	—	(0.05)

* Not shown due to rounding.

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$10.90	19.09%	\$1,276	1.11% ⁽⁴⁾	0.22% ⁽⁴⁾	1.16% ⁽⁴⁾	0.17% ⁽⁴⁾	41%
Year ended 6-30-2013	9.18	17.31	1,125	1.15	0.79	1.20	0.74	87
Year ended 6-30-2012	7.87	-0.35	1,080	1.17	-0.09	1.22	-0.14	58
Year ended 6-30-2011	7.90	33.44	1,246	1.16	0.05	1.21	0.00	42
Year ended 6-30-2010	5.93	9.66	1,035	1.18	0.36	1.23	0.31	51
Year ended 6-30-2009	5.43	-31.42	1,132	1.21	0.60	1.25	0.56	64
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	9.72	18.31	6	2.37 ⁽⁴⁾	-1.04 ⁽⁴⁾	2.40 ⁽⁴⁾	-1.07 ⁽⁴⁾	41
Year ended 6-30-2013	8.22	15.79	6	2.47	-0.53	2.51	-0.57	87
Year ended 6-30-2012	7.10	-1.66	8	2.46	-1.38	2.49	-1.41	58
Year ended 6-30-2011	7.22	31.99	15	2.34	-1.14	2.37	-1.17	42
Year ended 6-30-2010	5.47	8.32	18	2.36	-0.81	2.39	-0.84	51
Year ended 6-30-2009	5.05	-32.22	23	2.39	-0.58	2.42	-0.61	64
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	9.87	18.41	6	2.09 ⁽⁴⁾	-0.76 ⁽⁴⁾	2.12 ⁽⁴⁾	-0.79 ⁽⁴⁾	41
Year ended 6-30-2013	8.34	16.16	5	2.18	-0.24	2.21	-0.27	87
Year ended 6-30-2012	7.19	-1.37	5	2.22	-1.13	2.26	-1.17	58
Year ended 6-30-2011	7.29	32.07	7	2.20	-0.99	2.23	-1.02	42
Year ended 6-30-2010	5.52	8.45	7	2.23	-0.68	2.26	-0.71	51
Year ended 6-30-2009	5.09	-32.13	8	2.28	-0.46	2.31	-0.49	64
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	10.94	19.16	4	0.86 ⁽⁴⁾	0.47 ⁽⁴⁾	0.89 ⁽⁴⁾	0.44 ⁽⁴⁾	41
Year ended 6-30-2013	9.23	17.65	3	0.86	1.09	0.90	1.05	87
Year ended 6-30-2012	7.90	-0.05	4	0.86	0.22	0.90	0.18	58
Year ended 6-30-2011	7.92	33.91	5	0.86	0.35	0.89	0.32	42
Year ended 6-30-2010	5.94	9.87	3	0.87	0.67	0.90	0.64	51
Year ended 6-30-2009	5.44	-31.17	3	0.97	0.85	1.00	0.82	64

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

ASSET STRATEGY FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Total Distributions
Class A Shares							
Six-month period ended							
12-31-2013 (unaudited)	\$10.21	\$ 0.02	\$ 2.08	\$ 2.10	\$(0.05)	\$(0.50)	\$(0.55)
Year ended 6-30-2013	8.96	0.13	1.34	1.47	(0.22)	—	(0.22)
Year ended 6-30-2012	9.98	0.10	(1.02)	(0.92)	(0.10)	—	(0.10)
Year ended 6-30-2011	7.98	0.07	2.02	2.09	(0.09)	—	(0.09)
Year ended 6-30-2010	7.40	0.06	0.55	0.61	(0.03)	—	(0.03)
Year ended 6-30-2009	12.72	0.12	(3.05)	(2.93)	(0.05)	(2.34)	(2.39)
Class B Shares							
Six-month period ended							
12-31-2013 (unaudited)	9.96	(0.03)	2.02	1.99	—	(0.50)	(0.50)
Year ended 6-30-2013	8.72	0.03	1.30	1.33	(0.09)	—	(0.09)
Year ended 6-30-2012	9.71	0.00	(0.97)	(0.97)	(0.02)	—	(0.02)
Year ended 6-30-2011	7.77	(0.01)	1.97	1.96	(0.02)	—	(0.02)
Year ended 6-30-2010	7.25	(0.02)	0.54	0.52	—	—	—
Year ended 6-30-2009	12.55	0.04	(3.01)	(2.97)	—	(2.33)	(2.33)
Class C Shares							
Six-month period ended							
12-31-2013 (unaudited)	9.99	(0.03)	2.04	2.01	—	(0.50)	(0.50)
Year ended 6-30-2013	8.75	0.05	1.30	1.35	(0.11)	—	(0.11)
Year ended 6-30-2012	9.74	0.02	(0.98)	(0.96)	(0.03)	—	(0.03)
Year ended 6-30-2011	7.79	0.00	1.97	1.97	(0.02)	—	(0.02)
Year ended 6-30-2010	7.27	(0.01)	0.53	0.52	—	—	—
Year ended 6-30-2009	12.56	0.04	(2.99)	(2.95)	—	(2.34)	(2.34)
Class Y Shares							
Six-month period ended							
12-31-2013 (unaudited)	10.25	0.04	2.08	2.12	(0.08)	(0.50)	(0.58)
Year ended 6-30-2013	9.01	0.15	1.35	1.50	(0.26)	—	(0.26)
Year ended 6-30-2012	10.03	0.12	(1.01)	(0.89)	(0.13)	—	(0.13)
Year ended 6-30-2011	8.00	0.10	2.03	2.13	(0.10)	—	(0.10)
Year ended 6-30-2010	7.44	0.09	0.54	0.63	(0.07)	—	(0.07)
Year ended 6-30-2009	12.75	0.15	(3.06)	(2.91)	(0.06)	(2.34)	(2.40)

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$11.76	20.72%	\$3,483	1.11% ⁽⁴⁾	0.36% ⁽⁴⁾	1.12% ⁽⁴⁾	0.35% ⁽⁴⁾	33%
Year ended 6-30-2013	10.21	16.50	2,933	1.15	1.33	1.16	1.32	50
Year ended 6-30-2012	8.96	-9.16	2,665	1.17	1.06	1.17	1.06	53
Year ended 6-30-2011	9.98	26.27	3,162	1.14	0.77	1.14	0.77	72
Year ended 6-30-2010	7.98	8.23	2,724	1.17	0.71	1.17	0.71	108
Year ended 6-30-2009	7.40	-21.19	2,461	1.20	1.34	1.20	1.34	304
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	11.45	20.13	55	2.09 ⁽⁴⁾	-0.62 ⁽⁴⁾	2.10 ⁽⁴⁾	-0.63 ⁽⁴⁾	33
Year ended 6-30-2013	9.96	15.29	52	2.14	0.34	2.15	0.33	50
Year ended 6-30-2012	8.72	-9.98	59	2.13	0.04	2.13	0.04	53
Year ended 6-30-2011	9.71	25.22	90	2.05	-0.13	2.05	-0.13	72
Year ended 6-30-2010	7.77	7.17	102	2.06	-0.20	2.06	-0.20	108
Year ended 6-30-2009	7.25	-21.94	114	2.08	0.43	2.08	0.43	304
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	11.50	20.27	75	1.93 ⁽⁴⁾	-0.46 ⁽⁴⁾	1.94 ⁽⁴⁾	-0.47 ⁽⁴⁾	33
Year ended 6-30-2013	9.99	15.48	66	1.97	0.51	1.98	0.50	50
Year ended 6-30-2012	8.75	-9.86	67	1.99	0.21	1.99	0.21	53
Year ended 6-30-2011	9.74	25.36	90	1.95	-0.04	1.95	-0.04	72
Year ended 6-30-2010	7.79	7.15	87	1.98	-0.10	1.98	-0.10	108
Year ended 6-30-2009	7.27	-21.79	85	2.01	0.51	2.01	0.51	304
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	11.79	20.86	105	0.82 ⁽⁴⁾	0.65 ⁽⁴⁾	0.83 ⁽⁴⁾	0.64 ⁽⁴⁾	33
Year ended 6-30-2013	10.25	16.82	60	0.84	1.47	0.85	1.46	50
Year ended 6-30-2012	9.01	-8.82	54	0.85	1.28	0.85	1.28	53
Year ended 6-30-2011	10.03	26.77	71	0.84	1.08	0.84	1.08	72
Year ended 6-30-2010	8.00	8.40	49	0.87	1.01	0.87	1.01	108
Year ended 6-30-2009	7.44	-20.92	44	0.88	1.71	0.88	1.71	304

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

CONTINENTAL INCOME FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Total Distributions
Class A Shares							
Six-month period ended							
12-31-2013 (unaudited)	\$9.33	\$ 0.04	\$ 1.20	\$ 1.24	\$(0.05)	\$(0.48)	\$(0.53)
Year ended 6-30-2013	8.70	0.11	1.04	1.15	(0.11)	(0.41)	(0.52)
Year ended 6-30-2012	8.70	0.10	0.18	0.28	(0.11)	(0.17)	(0.28)
Year ended 6-30-2011	7.23	0.10	1.86	1.96	(0.10)	(0.39)	(0.49)
Year ended 6-30-2010	6.57	0.09	0.65	0.74	(0.08)	—	(0.08)
Year ended 6-30-2009	7.97	0.11	(1.30)	(1.19)	(0.12)	(0.09)	(0.21)
Class B Shares							
Six-month period ended							
12-31-2013 (unaudited)	9.27	(0.02)	1.19	1.17	—	(0.47)	(0.47)
Year ended 6-30-2013	8.67	0.01	1.02	1.03	(0.03)	(0.40)	(0.43)
Year ended 6-30-2012	8.68	0.01	0.17	0.18	(0.02)	(0.17)	(0.19)
Year ended 6-30-2011	7.22	0.02	1.85	1.87	(0.02)	(0.39)	(0.41)
Year ended 6-30-2010	6.57	0.00	0.66	0.66	(0.01)	—	(0.01)
Year ended 6-30-2009	7.96	0.05	(1.29)	(1.24)	(0.06)	(0.09)	(0.15)
Class C Shares							
Six-month period ended							
12-31-2013 (unaudited)	9.30	0.00	1.20	1.20	—	(0.48)	(0.48)
Year ended 6-30-2013	8.68	0.03	1.04	1.07	(0.04)	(0.41)	(0.45)
Year ended 6-30-2012	8.69	0.02	0.17	0.19	(0.03)	(0.17)	(0.20)
Year ended 6-30-2011	7.23	0.03	1.85	1.88	(0.03)	(0.39)	(0.42)
Year ended 6-30-2010	6.57	0.02	0.66	0.68	(0.02)	—	(0.02)
Year ended 6-30-2009	7.96	0.05	(1.29)	(1.24)	(0.06)	(0.09)	(0.15)
Class Y Shares							
Six-month period ended							
12-31-2013 (unaudited)	9.33	0.05	1.20	1.25	(0.06)	(0.48)	(0.54)
Year ended 6-30-2013	8.70	0.13	1.04	1.17	(0.13)	(0.41)	(0.54)
Year ended 6-30-2012	8.70	0.13	0.17	0.30	(0.13)	(0.17)	(0.30)
Year ended 6-30-2011	7.23	0.13	1.86	1.99	(0.13)	(0.39)	(0.52)
Year ended 6-30-2010	6.57	0.11	0.65	0.76	(0.10)	—	(0.10)
Year ended 6-30-2009	7.97	0.14	(1.30)	(1.16)	(0.15)	(0.09)	(0.24)

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$10.04	13.44%	\$1,137	1.17% ⁽⁴⁾	0.77% ⁽⁴⁾	1.19% ⁽⁴⁾	0.75% ⁽⁴⁾	14%
Year ended 6-30-2013	9.33	13.72	840	1.18	1.19	1.20	1.17	49
Year ended 6-30-2012	8.70	3.42	636	1.20	1.18	1.22	1.16	37
Year ended 6-30-2011	8.70	27.65	654	1.21	1.27	1.23	1.25	32
Year ended 6-30-2010	7.23	11.25	552	1.25	1.16	1.27	1.14	68
Year ended 6-30-2009	6.57	-14.84	547	1.28	1.63	1.28	1.63	31
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	9.97	12.70	6	2.29 ⁽⁴⁾	-0.34 ⁽⁴⁾	2.31 ⁽⁴⁾	-0.36 ⁽⁴⁾	14
Year ended 6-30-2013	9.27	12.50	6	2.34	0.06	2.36	0.04	49
Year ended 6-30-2012	8.67	2.21	6	2.32	0.06	2.34	0.04	37
Year ended 6-30-2011	8.68	26.25	9	2.27	0.21	2.29	0.19	32
Year ended 6-30-2010	7.22	10.07	9	2.36	0.06	2.38	0.04	68
Year ended 6-30-2009	6.57	-15.61	11	2.29	0.61	2.29	0.61	31
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	10.02	13.06	14	2.01 ⁽⁴⁾	-0.07 ⁽⁴⁾	2.03 ⁽⁴⁾	-0.09 ⁽⁴⁾	14
Year ended 6-30-2013	9.30	12.74	10	2.06	0.32	2.08	0.30	49
Year ended 6-30-2012	8.68	2.38	7	2.11	0.28	2.13	0.26	37
Year ended 6-30-2011	8.69	26.37	7	2.14	0.35	2.16	0.33	32
Year ended 6-30-2010	7.23	10.31	5	2.20	0.21	2.22	0.19	68
Year ended 6-30-2009	6.57	-15.55	6	2.23	0.68	2.23	0.68	31
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	10.04	13.59	7	0.89 ⁽⁴⁾	1.06 ⁽⁴⁾	0.91 ⁽⁴⁾	1.04 ⁽⁴⁾	14
Year ended 6-30-2013	9.33	14.04	6	0.89	1.49	0.91	1.47	49
Year ended 6-30-2012	8.70	3.74	4	0.89	1.57	0.91	1.55	37
Year ended 6-30-2011	8.70	28.05	6	0.90	1.59	0.92	1.57	32
Year ended 6-30-2010	7.23	11.59	5	0.92	1.49	0.94	1.47	68
Year ended 6-30-2009	6.57	-14.55	4	0.95	1.98	0.95	1.98	31

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

CORE INVESTMENT FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Distributions From Return of Capital	Total Distributions
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$7.02	\$ 0.02	\$ 1.31	\$ 1.33	\$(0.03)	\$(1.07)	\$—	\$(1.10)
Year ended 6-30-2013	6.30	0.04	1.12	1.16	(0.03)	(0.41)	—	(0.44)
Year ended 6-30-2012	6.49	0.02	0.11	0.13	(0.02)	(0.30)	—	(0.32)
Year ended 6-30-2011	4.70	0.02	1.78	1.80	(0.01)	—	—	(0.01)
Year ended 6-30-2010	4.10	0.01	0.61	0.62	(0.02)	—	—*	(0.02)
Year ended 6-30-2009	5.75	0.04	(1.64)	(1.60)	(0.03)	(0.02)	—	(0.05)
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	6.23	(0.02)	1.15	1.13	—	(1.02)	—	(1.02)
Year ended 6-30-2013	5.66	(0.04)	1.01	0.97	—	(0.40)	—	(0.40)
Year ended 6-30-2012	5.92	(0.05)	0.09	0.04	—	(0.30)	—	(0.30)
Year ended 6-30-2011	4.33	(0.04)	1.63	1.59	—	—	—	—
Year ended 6-30-2010	3.80	(0.05)	0.58	0.53	—	—	—	—
Year ended 6-30-2009	5.34	(0.01)	(1.53)	(1.54)	—	—*	—	—*
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	6.33	(0.02)	1.17	1.15	—	(1.04)	—	(1.04)
Year ended 6-30-2013	5.74	(0.03)	1.02	0.99	—	(0.40)	—	(0.40)
Year ended 6-30-2012	5.98	(0.04)	0.10	0.06	—	(0.30)	—	(0.30)
Year ended 6-30-2011	4.37	(0.03)	1.64	1.61	—	—	—	—
Year ended 6-30-2010	3.83	(0.04)	0.58	0.54	—	—	—	—
Year ended 6-30-2009	5.36	(0.01)	(1.52)	(1.53)	—	—*	—	—*
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	7.05	0.03	1.32	1.35	(0.05)	(1.07)	—	(1.12)
Year ended 6-30-2013	6.32	0.06	1.13	1.19	(0.05)	(0.41)	—	(0.46)
Year ended 6-30-2012	6.51	0.04	0.10	0.14	(0.03)	(0.30)	—	(0.33)
Year ended 6-30-2011	4.71	0.04	1.79	1.83	(0.03)	—	—	(0.03)
Year ended 6-30-2010	4.10	0.03	0.61	0.64	(0.03)	—	—*	(0.03)
Year ended 6-30-2009	5.75	0.06	(1.65)	(1.59)	(0.05)	(0.01)	—	(0.06)

* Not shown due to rounding.

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$7.25	19.66%	\$4,038	1.05% ⁽⁴⁾	0.46% ⁽⁴⁾	1.07% ⁽⁴⁾	0.44% ⁽⁴⁾	28%
Year ended 6-30-2013	7.02	19.22	3,354	1.09	0.56	1.11	0.54	68
Year ended 6-30-2012	6.30	2.68	2,867	1.12	0.32	1.15	0.29	58
Year ended 6-30-2011	6.49	38.39	3,021	1.12	0.35	1.14	0.33	79
Year ended 6-30-2010	4.70	15.04	2,343	1.16	0.18	1.18	0.16	102
Year ended 6-30-2009	4.10	-27.78	2,197	1.19	0.89	1.21	0.87	129
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	6.34	18.94	17	2.23 ⁽⁴⁾	-0.72 ⁽⁴⁾	2.25 ⁽⁴⁾	-0.74 ⁽⁴⁾	28
Year ended 6-30-2013	6.23	17.90	15	2.34	-0.68	2.36	-0.70	68
Year ended 6-30-2012	5.66	1.26	17	2.38	-0.93	2.40	-0.95	58
Year ended 6-30-2011	5.92	36.72	23	2.31	-0.85	2.33	-0.87	79
Year ended 6-30-2010	4.33	13.95	24	2.37	-1.03	2.39	-1.05	102
Year ended 6-30-2009	3.80	-28.78	28	2.41	-0.35	2.43	-0.37	129
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	6.44	18.88	22	1.99 ⁽⁴⁾	-0.48 ⁽⁴⁾	2.01 ⁽⁴⁾	-0.50 ⁽⁴⁾	28
Year ended 6-30-2013	6.33	18.15	17	2.07	-0.41	2.09	-0.43	68
Year ended 6-30-2012	5.74	1.60	14	2.11	-0.67	2.13	-0.69	58
Year ended 6-30-2011	5.98	36.84	16	2.12	-0.64	2.14	-0.66	79
Year ended 6-30-2010	4.37	14.10	12	2.18	-0.85	2.20	-0.87	102
Year ended 6-30-2009	3.83	-28.49	11	2.26	-0.18	2.28	-0.20	129
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	7.28	19.90	92	0.79 ⁽⁴⁾	0.72 ⁽⁴⁾	0.81 ⁽⁴⁾	0.70 ⁽⁴⁾	28
Year ended 6-30-2013	7.05	19.67	83	0.80	0.85	0.82	0.83	68
Year ended 6-30-2012	6.32	2.82	53	0.82	0.62	0.84	0.60	58
Year ended 6-30-2011	6.51	38.91	35	0.82	0.62	0.84	0.60	79
Year ended 6-30-2010	4.71	15.48	47	0.83	0.54	0.85	0.52	102
Year ended 6-30-2009	4.10	-27.53	32	0.83	1.27	0.85	1.25	129

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

DIVIDEND OPPORTUNITIES FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Total Distributions
Class A Shares							
Six-month period ended							
12-31-2013 (unaudited)	\$17.17	\$ 0.11	\$ 2.62	\$ 2.73	\$(0.15)	\$(1.04)	\$(1.19)
Year ended 6-30-2013	14.85	0.21	2.31	2.52	(0.20)	—	(0.20)
Year ended 6-30-2012	15.44	0.20	(0.65)	(0.45)	(0.14)	—	(0.14)
Year ended 6-30-2011	11.54	0.13	3.91	4.04	(0.14)	—	(0.14)
Year ended 6-30-2010	11.07	0.12	0.47	0.59	(0.12)	—	(0.12)
Year ended 6-30-2009	16.09	0.14	(5.02)	(4.88)	(0.14)	—	(0.14)
Class B Shares							
Six-month period ended							
12-31-2013 (unaudited)	16.88	0.00*	2.57	2.57	(0.02)	(1.04)	(1.06)
Year ended 6-30-2013	14.64	0.03	2.28	2.31	(0.07)	—	(0.07)
Year ended 6-30-2012	15.25	0.03	(0.60)	(0.57)	(0.04)	—	(0.04)
Year ended 6-30-2011	11.43	(0.02)	3.87	3.85	(0.03)	—	(0.03)
Year ended 6-30-2010	10.97	(0.01)	0.47	0.46	—	—	—
Year ended 6-30-2009	15.95	0.01	(4.97)	(4.96)	(0.02)	—	(0.02)
Class C Shares							
Six-month period ended							
12-31-2013 (unaudited)	16.95	0.03	2.59	2.62	(0.05)	(1.04)	(1.09)
Year ended 6-30-2013	14.69	0.07	2.29	2.36	(0.10)	—	(0.10)
Year ended 6-30-2012	15.29	0.07	(0.62)	(0.55)	(0.05)	—	(0.05)
Year ended 6-30-2011	11.46	0.00	3.88	3.88	(0.05)	—	(0.05)
Year ended 6-30-2010	10.99	0.01	0.47	0.48	(0.01)	—	(0.01)
Year ended 6-30-2009	15.97	0.03	(4.98)	(4.95)	(0.03)	—	(0.03)
Class Y Shares							
Six-month period ended							
12-31-2013 (unaudited)	17.18	0.14	2.61	2.75	(0.17)	(1.04)	(1.21)
Year ended 6-30-2013	14.85	0.28	2.31	2.59	(0.26)	—	(0.26)
Year ended 6-30-2012	15.45	0.26	(0.68)	(0.42)	(0.18)	—	(0.18)
Year ended 6-30-2011	11.54	0.16	3.95	4.11	(0.20)	—	(0.20)
Year ended 6-30-2010	11.08	0.17	0.47	0.64	(0.18)	—	(0.18)
Year ended 6-30-2009	16.09	0.19	(5.02)	(4.83)	(0.18)	—	(0.18)

* Not shown due to rounding.

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Portfolio Turnover Rate
Class A Shares						
Six-month period ended						
12-31-2013 (unaudited)	\$18.71	16.23%	\$696	1.27% ⁽³⁾	1.17% ⁽³⁾	31%
Year ended 6-30-2013	17.17	17.11	686	1.29	1.33	36
Year ended 6-30-2012	14.85	-2.55	698	1.32	1.43	43
Year ended 6-30-2011	15.44	35.15	749	1.30	0.91	40
Year ended 6-30-2010	11.54	5.28	553	1.33	0.96	50
Year ended 6-30-2009	11.07	-30.36	512	1.40	1.21	25
Class B Shares						
Six-month period ended						
12-31-2013 (unaudited)	18.39	15.55	7	2.42 ⁽³⁾	0.04 ⁽³⁾	31
Year ended 6-30-2013	16.88	15.81	7	2.48	0.17	36
Year ended 6-30-2012	14.64	-3.71	8	2.47	0.24	43
Year ended 6-30-2011	15.25	33.69	14	2.38	-0.16	40
Year ended 6-30-2010	11.43	4.19	13	2.40	-0.08	50
Year ended 6-30-2009	10.97	-31.06	17	2.42	0.12	25
Class C Shares						
Six-month period ended						
12-31-2013 (unaudited)	18.48	15.75	10	2.12 ⁽³⁾	0.33 ⁽³⁾	31
Year ended 6-30-2013	16.95	16.17	9	2.17	0.46	36
Year ended 6-30-2012	14.69	-3.51	10	2.23	0.49	43
Year ended 6-30-2011	15.29	33.92	13	2.22	-0.01	40
Year ended 6-30-2010	11.46	4.36	11	2.24	0.06	50
Year ended 6-30-2009	10.99	-30.96	14	2.30	0.27	25
Class Y Shares						
Six-month period ended						
12-31-2013 (unaudited)	18.72	16.39	2	0.98 ⁽³⁾	1.47 ⁽³⁾	31
Year ended 6-30-2013	17.18	17.63	2	0.89	1.71	36
Year ended 6-30-2012	14.85	-2.22	1	0.91	1.84	43
Year ended 6-30-2011	15.45	35.77	2	0.92	1.19	40
Year ended 6-30-2010	11.54	5.63	11	0.92	1.37	50
Year ended 6-30-2009	11.08	-30.00	10	0.96	1.66	25

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

ENERGY FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Total Distributions
Class A Shares							
Six-month period ended							
12-31-2013 (unaudited)	\$13.72	\$(0.04)	\$ 2.00	\$ 1.96	\$—	\$ —	\$ —
Year ended 6-30-2013	11.21	(0.08)	2.59	2.51	—	—	—
Year ended 6-30-2012	14.38	(0.08)	(3.09)	(3.17)	—	—	—
Year ended 6-30-2011	9.72	(0.09)	4.75	4.66	—	—	—
Year ended 6-30-2010	8.99	(0.06)	0.79	0.73	—	—	—
Year ended 6-30-2009	17.73	(0.06)	(8.46)	(8.52)	—	(0.22)	(0.22)
Class B Shares							
Six-month period ended							
12-31-2013 (unaudited)	12.65	(0.12)	1.84	1.72	—	—	—
Year ended 6-30-2013	10.47	(0.22)	2.40	2.18	—	—	—
Year ended 6-30-2012	13.59	(0.22)	(2.90)	(3.12)	—	—	—
Year ended 6-30-2011	9.29	(0.22)	4.52	4.30	—	—	—
Year ended 6-30-2010	8.68	(0.16)	0.77	0.61	—	—	—
Year ended 6-30-2009	17.32	(0.17)	(8.26)	(8.43)	—	(0.21)	(0.21)
Class C Shares							
Six-month period ended							
12-31-2013 (unaudited)	12.96	(0.10)	1.89	1.79	—	—	—
Year ended 6-30-2013	10.68	(0.18)	2.46	2.28	—	—	—
Year ended 6-30-2012	13.81	(0.18)	(2.95)	(3.13)	—	—	—
Year ended 6-30-2011	9.41	(0.18)	4.58	4.40	—	—	—
Year ended 6-30-2010	8.77	(0.14)	0.78	0.64	—	—	—
Year ended 6-30-2009	17.43	(0.14)	(8.31)	(8.45)	—	(0.21)	(0.21)
Class Y Shares							
Six-month period ended							
12-31-2013 (unaudited)	14.20	—*	2.06	2.06	—	—	—
Year ended 6-30-2013	11.53	(0.01)	2.68	2.67	—	—	—
Year ended 6-30-2012	14.71	(0.01)	(3.17)	(3.18)	—	—	—
Year ended 6-30-2011	9.89	(0.02)	4.84	4.82	—	—	—
Year ended 6-30-2010	9.09	0.01	0.79	0.80	—	—	—
Year ended 6-30-2009	17.93	0.01	(8.57)	(8.56)	—	(0.28)	(0.28)

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Portfolio Turnover Rate
Class A Shares						
Six-month period ended						
12-31-2013 (unaudited)	\$15.68	14.20%	\$236	1.60% ⁽³⁾	-0.57% ⁽³⁾	27%
Year ended 6-30-2013	13.72	22.48	208	1.66	-0.62	22
Year ended 6-30-2012	11.21	-22.05	185	1.68	-0.67	22
Year ended 6-30-2011	14.38	47.94	258	1.63	-0.69	26
Year ended 6-30-2010	9.72	8.12	178	1.71	-0.53	25
Year ended 6-30-2009	8.99	-47.91	162	1.82	-0.58	10
Class B Shares						
Six-month period ended						
12-31-2013 (unaudited)	14.37	13.60	3	2.79 ⁽³⁾	-1.76 ⁽³⁾	27
Year ended 6-30-2013	12.65	20.82	3	2.93	-1.88	22
Year ended 6-30-2012	10.47	-22.96	3	2.89	-1.89	22
Year ended 6-30-2011	13.59	46.29	5	2.72	-1.78	26
Year ended 6-30-2010	9.29	7.03	5	2.79	-1.61	25
Year ended 6-30-2009	8.68	-48.50	5	2.95	-1.73	10
Class C Shares						
Six-month period ended						
12-31-2013 (unaudited)	14.75	13.72	3	2.46 ⁽³⁾	-1.43 ⁽³⁾	27
Year ended 6-30-2013	12.96	21.44	3	2.52	-1.47	22
Year ended 6-30-2012	10.68	-22.67	3	2.50	-1.50	22
Year ended 6-30-2011	13.81	46.76	6	2.43	-1.49	26
Year ended 6-30-2010	9.41	7.30	5	2.51	-1.34	25
Year ended 6-30-2009	8.77	-48.30	5	2.66	-1.44	10
Class Y Shares						
Six-month period ended						
12-31-2013 (unaudited)	16.26	14.51	3	1.10 ⁽³⁾	-0.06 ⁽³⁾	27
Year ended 6-30-2013	14.20	23.16	2	1.10	-0.06	22
Year ended 6-30-2012	11.53	-21.62	2	1.11	-0.12	22
Year ended 6-30-2011	14.71	48.74	3	1.10	-0.16	26
Year ended 6-30-2010	9.89	8.80	2	1.12	0.07	25
Year ended 6-30-2009	9.09	-47.53	2	1.15	0.07	10

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

INTERNATIONAL GROWTH FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Total Distributions
Class A Shares							
Six-month period ended							
12-31-2013 (unaudited)	\$10.51	\$(0.01)	\$ 1.83	\$ 1.82	\$(0.18)	\$—	\$(0.18)
Year ended 6-30-2013	9.24	0.09	1.20	1.29	(0.02)	—	(0.02)
Year ended 6-30-2012	10.26	0.08	(0.95)	(0.87)	(0.15)	—	(0.15)
Year ended 6-30-2011	7.54	0.14	2.64	2.78	(0.06)	—	(0.06)
Year ended 6-30-2010	7.12	0.06	0.45	0.51	(0.09)	—	(0.09)
Year ended 6-30-2009	10.16	0.08	(3.04)	(2.96)	(0.08)	—	(0.08)
Class B Shares							
Six-month period ended							
12-31-2013 (unaudited)	9.60	(0.08)	1.67	1.59	—*	—	—*
Year ended 6-30-2013	8.54	(0.06)	1.12	1.06	—	—	—
Year ended 6-30-2012	9.51	(0.06)	(0.88)	(0.94)	(0.03)	—	(0.03)
Year ended 6-30-2011	7.03	0.00	2.48	2.48	—	—	—
Year ended 6-30-2010	6.65	(0.04)	0.43	0.39	(0.01)	—	(0.01)
Year ended 6-30-2009	9.50	(0.02)	(2.83)	(2.85)	—	—	—
Class C Shares							
Six-month period ended							
12-31-2013 (unaudited)	9.97	(0.07)	1.74	1.67	(0.04)	—	(0.04)
Year ended 6-30-2013	8.84	(0.02)	1.15	1.13	—	—	—
Year ended 6-30-2012	9.82	(0.02)	(0.90)	(0.92)	(0.06)	—	(0.06)
Year ended 6-30-2011	7.24	0.03	2.55	2.58	—	—	—
Year ended 6-30-2010	6.85	(0.03)	0.44	0.41	(0.02)	—	(0.02)
Year ended 6-30-2009	9.75	0.00	(2.90)	(2.90)	—	—	—
Class Y Shares							
Six-month period ended							
12-31-2013 (unaudited)	10.52	0.02	1.82	1.84	(0.22)	—	(0.22)
Year ended 6-30-2013	9.26	0.13	1.21	1.34	(0.08)	—	(0.08)
Year ended 6-30-2012	10.29	0.13	(0.97)	(0.84)	(0.19)	—	(0.19)
Year ended 6-30-2011	7.55	0.18	2.66	2.84	(0.10)	—	(0.10)
Year ended 6-30-2010	7.13	0.11	0.44	0.55	(0.13)	—	(0.13)
Year ended 6-30-2009	10.18	0.12	(3.05)	(2.93)	(0.12)	—	(0.12)

* Not shown due to rounding.

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$12.15	17.28%	\$537	1.43% ⁽⁴⁾	-0.12% ⁽⁴⁾	1.46% ⁽⁴⁾	-0.15% ⁽⁴⁾	22%
Year ended 6-30-2013	10.51	14.04	464	1.46	0.89	1.49	0.86	44
Year ended 6-30-2012	9.24	-8.39	424	1.50	0.83	1.53	0.80	30
Year ended 6-30-2011	10.26	36.98	525	1.48	1.47	1.51	1.44	58
Year ended 6-30-2010	7.54	7.04	431	1.52	0.75	1.55	0.72	88
Year ended 6-30-2009	7.12	-29.01	448	1.59	1.13	1.62	1.10	85
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	11.19	16.57	2	2.82 ⁽⁴⁾	-1.50 ⁽⁴⁾	2.85 ⁽⁴⁾	-1.53 ⁽⁴⁾	22
Year ended 6-30-2013	9.60	12.41	2	2.91	-0.63	2.94	-0.66	44
Year ended 6-30-2012	8.54	-9.83	2	2.96	-0.75	2.99	-0.78	30
Year ended 6-30-2011	9.51	35.28	4	2.82	0.02	2.85	-0.01	58
Year ended 6-30-2010	7.03	5.81	5	2.72	-0.56	2.75	-0.59	88
Year ended 6-30-2009	6.65	-30.00	8	2.89	-0.31	2.92	-0.34	85
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	11.60	16.74	2	2.53 ⁽⁴⁾	-1.21 ⁽⁴⁾	2.56 ⁽⁴⁾	-1.24 ⁽⁴⁾	22
Year ended 6-30-2013	9.97	12.78	2	2.52	-0.24	2.55	-0.27	44
Year ended 6-30-2012	8.84	-9.38	2	2.55	-0.27	2.58	-0.30	30
Year ended 6-30-2011	9.82	35.64	3	2.53	0.37	2.56	0.34	58
Year ended 6-30-2010	7.24	5.97	3	2.49	-0.31	2.52	-0.34	88
Year ended 6-30-2009	6.85	-29.74	4	2.66	0.00	2.69	-0.03	85
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	12.14	17.60	64	1.05 ⁽⁴⁾	0.26 ⁽⁴⁾	1.08 ⁽⁴⁾	0.23 ⁽⁴⁾	22
Year ended 6-30-2013	10.52	14.46	55	1.05	1.30	1.08	1.27	44
Year ended 6-30-2012	9.26	-8.06	50	1.06	1.38	1.09	1.35	30
Year ended 6-30-2011	10.29	37.73	62	1.06	1.88	1.09	1.85	58
Year ended 6-30-2010	7.55	7.49	46	1.06	1.30	1.09	1.27	88
Year ended 6-30-2009	7.13	-28.62	23	1.07	1.74	1.10	1.71	85

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

NEW CONCEPTS FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Total Distributions
Class A Shares							
Six-month period ended							
12-31-2013 (unaudited)	\$10.93	\$(0.03)	\$ 1.96	\$ 1.93	\$—	\$(1.22)	\$(1.22)
Year ended 6-30-2013	9.53	(0.06)	1.87	1.81	—	(0.41)	(0.41)
Year ended 6-30-2012	12.27	(0.08)	(0.67)	(0.75)	—	(1.99)	(1.99)
Year ended 6-30-2011	8.81	(0.04)	3.91	3.87	—	(0.41)	(0.41)
Year ended 6-30-2010	6.98	(0.03)	1.86	1.83	—	—	—
Year ended 6-30-2009	10.31	(0.02)	(1.99)	(2.01)	—	(1.32)	(1.32)
Class B Shares							
Six-month period ended							
12-31-2013 (unaudited)	8.65	(0.08)	1.54	1.46	—	(1.17)	(1.17)
Year ended 6-30-2013	7.71	(0.15)	1.50	1.35	—	(0.41)	(0.41)
Year ended 6-30-2012	10.37	(0.16)	(0.59)	(0.75)	—	(1.91)	(1.91)
Year ended 6-30-2011	7.48	(0.13)	3.31	3.18	—	(0.29)	(0.29)
Year ended 6-30-2010	5.99	(0.11)	1.60	1.49	—	—	—
Year ended 6-30-2009	9.21	(0.09)	(1.82)	(1.91)	—	(1.31)	(1.31)
Class C Shares							
Six-month period ended							
12-31-2013 (unaudited)	8.89	(0.07)	1.57	1.50	—	(1.18)	(1.18)
Year ended 6-30-2013	7.89	(0.13)	1.54	1.41	—	(0.41)	(0.41)
Year ended 6-30-2012	10.55	(0.15)	(0.59)	(0.74)	—	(1.92)	(1.92)
Year ended 6-30-2011	7.61	(0.12)	3.36	3.24	—	(0.30)	(0.30)
Year ended 6-30-2010	6.08	(0.10)	1.63	1.53	—	—	—
Year ended 6-30-2009	9.31	(0.08)	(1.84)	(1.92)	—	(1.31)	(1.31)
Class Y Shares							
Six-month period ended							
12-31-2013 (unaudited)	11.82	(0.01)	2.11	2.10	—	(1.24)	(1.24)
Year ended 6-30-2013	10.23	(0.02)	2.02	2.00	—	(0.41)	(0.41)
Year ended 6-30-2012	13.01	(0.05)	(0.70)	(0.75)	—	(2.03)	(2.03)
Year ended 6-30-2011	9.33	0.00	4.15	4.15	—	(0.47)	(0.47)
Year ended 6-30-2010	7.36	0.01	1.96	1.97	—	—	—
Year ended 6-30-2009	10.78	0.02	(2.08)	(2.06)	—	(1.36)	(1.36)

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$11.64	18.18%	\$1,702	1.37% ⁽⁴⁾	-0.56% ⁽⁴⁾	1.38% ⁽⁴⁾	-0.57% ⁽⁴⁾	20%
Year ended 6-30-2013	10.93	19.55	1,476	1.41	-0.61	1.42	-0.62	38
Year ended 6-30-2012	9.53	-5.52	1,308	1.43	-0.76	1.45	-0.78	48
Year ended 6-30-2011	12.27	44.44	1,458	1.41	-0.32	1.43	-0.34	55
Year ended 6-30-2010	8.81	26.22	1,040	1.48	-0.33	1.50	-0.35	55
Year ended 6-30-2009	6.98	-16.42	832	1.59	-0.23	1.61	-0.25	35
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	8.94	17.36	11	2.51 ⁽⁴⁾	-1.70 ⁽⁴⁾	2.52 ⁽⁴⁾	-1.71 ⁽⁴⁾	20
Year ended 6-30-2013	8.65	18.30	11	2.62	-1.81	2.63	-1.82	38
Year ended 6-30-2012	7.71	-6.64	13	2.58	-1.91	2.60	-1.93	48
Year ended 6-30-2011	10.37	42.91	21	2.49	-1.39	2.51	-1.41	55
Year ended 6-30-2010	7.48	24.88	19	2.58	-1.43	2.60	-1.45	55
Year ended 6-30-2009	5.99	-17.48	20	2.78	-1.42	2.80	-1.44	35
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	9.21	17.48	13	2.27 ⁽⁴⁾	-1.46 ⁽⁴⁾	2.28 ⁽⁴⁾	-1.47 ⁽⁴⁾	20
Year ended 6-30-2013	8.89	18.52	11	2.35	-1.54	2.37	-1.56	38
Year ended 6-30-2012	7.89	-6.44	11	2.38	-1.71	2.40	-1.73	48
Year ended 6-30-2011	10.55	43.01	13	2.35	-1.27	2.37	-1.29	55
Year ended 6-30-2010	7.61	25.17	9	2.44	-1.29	2.46	-1.31	55
Year ended 6-30-2009	6.08	-17.35	8	2.63	-1.27	2.65	-1.29	35
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	12.68	18.25	85	1.02 ⁽⁴⁾	-0.21 ⁽⁴⁾	1.03 ⁽⁴⁾	-0.22 ⁽⁴⁾	20
Year ended 6-30-2013	11.82	20.08	80	1.02	-0.22	1.03	-0.23	38
Year ended 6-30-2012	10.23	-5.11	56	1.03	-0.45	1.05	-0.47	48
Year ended 6-30-2011	13.01	45.03	59	1.02	0.03	1.04	0.01	55
Year ended 6-30-2010	9.33	26.77	12	1.04	0.10	1.06	0.08	55
Year ended 6-30-2009	7.36	-15.93	11	1.05	0.31	1.07	0.29	35

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

SCIENCE AND TECHNOLOGY FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Total Distributions
Class A Shares							
Six-month period ended							
12-31-2013 (unaudited)	\$13.55	\$(0.05)	\$ 3.91	\$ 3.86	\$—	\$(1.36)	\$(1.36)
Year ended 6-30-2013	10.45	(0.08)	3.41	3.33	—	(0.23)	(0.23)
Year ended 6-30-2012	11.06	(0.10)	0.32	0.22	—	(0.83)	(0.83)
Year ended 6-30-2011	8.56	(0.09)	2.80	2.71	—	(0.21)	(0.21)
Year ended 6-30-2010	7.76	(0.05)	0.89	0.84	—	(0.04)	(0.04)
Year ended 6-30-2009	10.44	(0.02)	(1.86)	(1.88)	—	(0.80)	(0.80)
Class B Shares							
Six-month period ended							
12-31-2013 (unaudited)	10.65	(0.10)	3.04	2.94	—	(1.36)	(1.36)
Year ended 6-30-2013	8.36	(0.17)	2.69	2.52	—	(0.23)	(0.23)
Year ended 6-30-2012	9.03	(0.18)	0.25	0.07	—	(0.74)	(0.74)
Year ended 6-30-2011	7.10	(0.17)	2.31	2.14	—	(0.21)	(0.21)
Year ended 6-30-2010	6.51	(0.13)	0.76	0.63	—	(0.04)	(0.04)
Year ended 6-30-2009	8.97	(0.10)	(1.62)	(1.72)	—	(0.74)	(0.74)
Class C Shares							
Six-month period ended							
12-31-2013 (unaudited)	10.77	(0.10)	3.08	2.98	—	(1.36)	(1.36)
Year ended 6-30-2013	8.43	(0.16)	2.73	2.57	—	(0.23)	(0.23)
Year ended 6-30-2012	9.10	(0.16)	0.24	0.08	—	(0.75)	(0.75)
Year ended 6-30-2011	7.14	(0.16)	2.33	2.17	—	(0.21)	(0.21)
Year ended 6-30-2010	6.54	(0.12)	0.76	0.64	—	(0.04)	(0.04)
Year ended 6-30-2009	9.01	(0.09)	(1.64)	(1.73)	—	(0.74)	(0.74)
Class Y Shares							
Six-month period ended							
12-31-2013 (unaudited)	14.76	(0.03)	4.27	4.24	—	(1.36)	(1.36)
Year ended 6-30-2013	11.33	(0.04)	3.70	3.66	—	(0.23)	(0.23)
Year ended 6-30-2012	11.92	(0.07)	0.35	0.28	—	(0.87)	(0.87)
Year ended 6-30-2011	9.18	(0.06)	3.01	2.95	—	(0.21)	(0.21)
Year ended 6-30-2010	8.29	(0.02)	0.95	0.93	—	(0.04)	(0.04)
Year ended 6-30-2009	11.06	0.01	(1.96)	(1.95)	—	(0.82)	(0.82)

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$16.05	29.07%	\$3,578	1.27% ⁽⁴⁾	-0.66% ⁽⁴⁾	1.27% ⁽⁴⁾	-0.66% ⁽⁴⁾	28%
Year ended 6-30-2013	13.55	32.42	2,763	1.32	-0.67	1.33	-0.68	50
Year ended 6-30-2012	10.45	3.40	2,169	1.37	-0.99	1.38	-1.00	42
Year ended 6-30-2011	11.06	31.80	2,317	1.35	-0.86	1.36	-0.87	44
Year ended 6-30-2010	8.56	10.79	1,893	1.39	-0.57	1.40	-0.58	46
Year ended 6-30-2009	7.76	-16.07	1,802	1.42	-0.23	1.43	-0.24	51
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	12.23	28.33	26	2.35 ⁽⁴⁾	-1.74 ⁽⁴⁾	2.35 ⁽⁴⁾	-1.74 ⁽⁴⁾	28
Year ended 6-30-2013	10.65	30.81	23	2.49	-1.84	2.50	-1.85	50
Year ended 6-30-2012	8.36	2.19	23	2.56	-2.17	2.57	-2.18	42
Year ended 6-30-2011	9.03	30.30	32	2.47	-1.97	2.48	-1.98	44
Year ended 6-30-2010	7.10	9.64	34	2.52	-1.69	2.53	-1.70	46
Year ended 6-30-2009	6.51	-17.08	40	2.62	-1.44	2.63	-1.45	51
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	12.39	28.40	22	2.20 ⁽⁴⁾	-1.59 ⁽⁴⁾	2.20 ⁽⁴⁾	-1.59 ⁽⁴⁾	28
Year ended 6-30-2013	10.77	31.15	16	2.31	-1.66	2.32	-1.67	50
Year ended 6-30-2012	8.43	2.31	13	2.38	-1.99	2.39	-2.00	42
Year ended 6-30-2011	9.10	30.55	15	2.35	-1.85	2.36	-1.86	44
Year ended 6-30-2010	7.14	9.74	13	2.40	-1.58	2.41	-1.59	46
Year ended 6-30-2009	6.54	-17.08	12	2.55	-1.36	2.56	-1.37	51
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	17.64	29.26	136	1.00 ⁽⁴⁾	-0.39 ⁽⁴⁾	1.00 ⁽⁴⁾	-0.39 ⁽⁴⁾	28
Year ended 6-30-2013	14.76	32.81	99	1.01	-0.35	1.02	-0.36	50
Year ended 6-30-2012	11.33	3.71	78	1.03	-0.64	1.04	-0.65	42
Year ended 6-30-2011	11.92	32.28	81	1.02	-0.53	1.03	-0.54	44
Year ended 6-30-2010	9.18	11.19	63	1.04	-0.22	1.05	-0.23	46
Year ended 6-30-2009	8.29	-15.72	60	1.03	0.17	1.04	0.16	51

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

SMALL CAP FUND

	Net Asset Value, Beginning of Period	Net Investment Loss ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Distributions From Return of Capital	Total Distributions
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$16.87	\$(0.10)	\$ 3.52	\$ 3.42	\$—	\$(2.62)	\$ —	\$(2.62)
Year ended 6-30-2013	14.70	(0.15)	3.08	2.93	—	(0.76)	—	(0.76)
Year ended 6-30-2012	17.19	(0.18)	(0.88)	(1.06)	—	(1.43)	—	(1.43)
Year ended 6-30-2011	11.87	(0.16)	5.48	5.32	—	—	—	—
Year ended 6-30-2010	9.26	(0.14)	2.75	2.61	—	—	—	—
Year ended 6-30-2009	11.43	(0.12)	(2.01)	(2.13)	—	—	(0.04)	(0.04)
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	14.09	(0.17)	2.91	2.74	—	(2.55)	—	(2.55)
Year ended 6-30-2013	12.54	(0.28)	2.59	2.31	—	(0.76)	—	(0.76)
Year ended 6-30-2012	15.08	(0.30)	(0.81)	(1.11)	—	(1.43)	—	(1.43)
Year ended 6-30-2011	10.53	(0.27)	4.82	4.55	—	—	—	—
Year ended 6-30-2010	8.29	(0.23)	2.47	2.24	—	—	—	—
Year ended 6-30-2009	10.29	(0.20)	(1.80)	(2.00)	—	—	—	—
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	14.66	(0.15)	3.02	2.87	—	(2.56)	—	(2.56)
Year ended 6-30-2013	12.97	(0.24)	2.69	2.45	—	(0.76)	—	(0.76)
Year ended 6-30-2012	15.49	(0.27)	(0.82)	(1.09)	—	(1.43)	—	(1.43)
Year ended 6-30-2011	10.79	(0.25)	4.95	4.70	—	—	—	—
Year ended 6-30-2010	8.48	(0.21)	2.52	2.31	—	—	—	—
Year ended 6-30-2009	10.50	(0.18)	(1.84)	(2.02)	—	—	—	—
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	18.30	(0.07)	3.84	3.77	—	(2.66)	—	(2.66)
Year ended 6-30-2013	15.81	(0.09)	3.34	3.25	—	(0.76)	—	(0.76)
Year ended 6-30-2012	18.28	(0.12)	(0.92)	(1.04)	—	(1.43)	—	(1.43)
Year ended 6-30-2011	12.56	(0.08)	5.80	5.72	—	—	—	—
Year ended 6-30-2010	9.74	(0.08)	2.90	2.82	—	—	—	—
Year ended 6-30-2009	11.93	(0.06)	(2.09)	(2.15)	—	—	(0.04)	(0.04)

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Loss to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Loss to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$17.67	21.27%	\$873	1.44% ⁽⁴⁾	-1.07% ⁽⁴⁾	1.46% ⁽⁴⁾	-1.09% ⁽⁴⁾	23%
Year ended 6-30-2013	16.87	21.06	742	1.52	-0.98	1.54	-1.00	40
Year ended 6-30-2012	14.70	-5.14	655	1.54	-1.27	1.56	-1.29	51
Year ended 6-30-2011	17.19	44.82	734	1.52	-1.06	1.54	-1.08	65
Year ended 6-30-2010	11.87	28.19	510	1.62	-1.23	1.64	-1.25	58
Year ended 6-30-2009	9.26	-18.53	373	1.79	-1.41	1.81	-1.43	87
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	14.28	20.54	11	2.55 ⁽⁴⁾	-2.18 ⁽⁴⁾	2.57 ⁽⁴⁾	-2.20 ⁽⁴⁾	23
Year ended 6-30-2013	14.09	19.70	10	2.70	-2.15	2.72	-2.17	40
Year ended 6-30-2012	12.54	-6.26	12	2.70	-2.42	2.72	-2.44	51
Year ended 6-30-2011	15.08	43.21	21	2.58	-2.10	2.60	-2.12	65
Year ended 6-30-2010	10.53	27.02	21	2.68	-2.28	2.70	-2.30	58
Year ended 6-30-2009	8.29	-19.44	23	2.85	-2.47	2.87	-2.49	87
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	14.97	20.69	12	2.25 ⁽⁴⁾	-1.88 ⁽⁴⁾	2.27 ⁽⁴⁾	-1.90 ⁽⁴⁾	23
Year ended 6-30-2013	14.66	20.14	10	2.34	-1.80	2.36	-1.82	40
Year ended 6-30-2012	12.97	-5.95	10	2.37	-2.09	2.39	-2.11	51
Year ended 6-30-2011	15.49	43.56	13	2.33	-1.87	2.35	-1.89	65
Year ended 6-30-2010	10.79	27.24	11	2.45	-2.05	2.47	-2.07	58
Year ended 6-30-2009	8.48	-19.24	9	2.65	-2.27	2.67	-2.29	87
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	19.41	21.51	19	1.04 ⁽⁴⁾	-0.68 ⁽⁴⁾	1.06 ⁽⁴⁾	-0.70 ⁽⁴⁾	23
Year ended 6-30-2013	18.30	21.62	34	1.05	-0.52	1.07	-0.54	40
Year ended 6-30-2012	15.81	-4.70	26	1.05	-0.77	1.07	-0.79	51
Year ended 6-30-2011	18.28	45.54	28	1.04	-0.53	1.06	-0.55	65
Year ended 6-30-2010	12.56	28.95	195	1.05	-0.66	1.07	-0.68	58
Year ended 6-30-2009	9.74	-17.92	145	1.06	-0.68	1.08	-0.70	87

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

TAX-MANAGED EQUITY FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Distributions From Return of Capital	Total Distributions
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$14.70	\$ 0.01	\$ 3.47	\$ 3.48	\$(0.01)	\$(1.47)	\$ —	\$(1.48)
Year ended 6-30-2013	13.14	0.06	1.90	1.96	(0.05)	(0.35)	—	(0.40)
Year ended 6-30-2012	13.10	(0.01)	0.05	0.04	—	—	—	—
Year ended 6-30-2011	9.85	0.01	3.26	3.27	(0.02)	—	—	(0.02)
Year ended 6-30-2010	9.32	0.00	0.54	0.54	—*	—	(0.01)	(0.01)
Year ended 6-30-2009	11.65	0.00	(2.33)	(2.33)	—	—	—	—
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	13.09	(0.06)	3.07	3.01	—	(1.33)	—	(1.33)
Year ended 6-30-2013	11.82	(0.07)	1.69	1.62	—	(0.35)	—	(0.35)
Year ended 6-30-2012	11.90	(0.12)	0.04	(0.08)	—	—	—	—
Year ended 6-30-2011	9.01	(0.09)	2.98	2.89	—	—	—	—
Year ended 6-30-2010	8.61	(0.08)	0.48	0.40	—	—	—	—
Year ended 6-30-2009	10.86	(0.09)	(2.16)	(2.25)	—	—	—	—
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	13.08	(0.06)	3.09	3.03	—	(1.36)	—	(1.36)
Year ended 6-30-2013	11.80	(0.06)	1.69	1.63	—	(0.35)	—	(0.35)
Year ended 6-30-2012	11.87	(0.11)	0.04	(0.07)	—	—	—	—
Year ended 6-30-2011	8.99	(0.09)	2.97	2.88	—	—	—	—
Year ended 6-30-2010	8.58	(0.08)	0.49	0.41	—	—	—	—
Year ended 6-30-2009	10.83	(0.08)	(2.17)	(2.25)	—	—	—	—

* Not shown due to rounding.

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$16.70	24.08%	\$286	1.09% ⁽⁴⁾	0.09% ⁽⁴⁾	1.11% ⁽⁴⁾	0.07% ⁽⁴⁾	19%
Year ended 6-30-2013	14.70	15.26	233	1.12	0.42	1.14	0.40	42
Year ended 6-30-2012	13.14	0.31	203	1.14	-0.06	1.15	-0.07	37
Year ended 6-30-2011	13.10	33.22	195	1.14	0.08	1.15	0.07	43
Year ended 6-30-2010	9.85	5.78	133	1.18	0.06	1.19	0.05	33
Year ended 6-30-2009	9.32	-20.00	111	1.32	0.00	1.33	-0.01	44
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	14.77	23.46	1	2.06 ⁽⁴⁾	-0.89 ⁽⁴⁾	—	—	19
Year ended 6-30-2013	13.09	14.02	1	2.16	-0.60	—	—	42
Year ended 6-30-2012	11.82	-0.67	1	2.14	-1.06	—	—	37
Year ended 6-30-2011	11.90	32.08	1	2.07	-0.83	—	—	43
Year ended 6-30-2010	9.01	4.65	2	2.11	-0.87	—	—	33
Year ended 6-30-2009	8.61	-20.72	2	2.31	-1.02	—	—	44
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	14.75	23.48	4	1.97 ⁽⁴⁾	-0.80 ⁽⁴⁾	—	—	19
Year ended 6-30-2013	13.08	14.21	3	2.03	-0.49	—	—	42
Year ended 6-30-2012	11.80	-0.59	3	2.06	-0.98	—	—	37
Year ended 6-30-2011	11.87	32.04	4	2.05	-0.82	—	—	43
Year ended 6-30-2010	8.99	4.78	3	2.08	-0.83	—	—	33
Year ended 6-30-2009	8.58	-20.78	3	2.25	-0.95	—	—	44

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FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

VALUE FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Distributions From Return of Capital	Total Distributions
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$15.14	\$ 0.02	\$ 2.17	\$ 2.19	\$(0.04)	\$(0.85)	\$ —	\$(0.89)
Year ended 6-30-2013	11.91	0.11	3.27	3.38	(0.15)	—	—	(0.15)
Year ended 6-30-2012	12.55	0.11	(0.64)	(0.53)	(0.11)	—	—	(0.11)
Year ended 6-30-2011	9.82	0.02	2.71	2.73	—	—	—	—
Year ended 6-30-2010	8.27	0.04	1.59	1.63	(0.07)	—	(0.01)	(0.08)
Year ended 6-30-2009	11.09	0.12	(2.82)	(2.70)	(0.12)	—	—	(0.12)
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	14.40	(0.07)	2.06	1.99	—	(0.78)	—	(0.78)
Year ended 6-30-2013	11.35	(0.05)	3.11	3.06	(0.01)	—	—	(0.01)
Year ended 6-30-2012	12.01	(0.02)	(0.62)	(0.64)	(0.02)	—	—	(0.02)
Year ended 6-30-2011	9.49	(0.11)	2.63	2.52	—	—	—	—
Year ended 6-30-2010	8.02	(0.07)	1.54	1.47	—*	—	—*	—*
Year ended 6-30-2009	10.74	0.03	(2.72)	(2.69)	(0.03)	—	—	(0.03)
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	14.59	(0.05)	2.08	2.03	—	(0.80)	—	(0.80)
Year ended 6-30-2013	11.48	(0.01)	3.16	3.15	(0.04)	—	—	(0.04)
Year ended 6-30-2012	12.13	0.01	(0.63)	(0.62)	(0.03)	—	—	(0.03)
Year ended 6-30-2011	9.57	(0.09)	2.65	2.56	—	—	—	—
Year ended 6-30-2010	8.08	(0.05)	1.55	1.50	(0.01)	—	—*	(0.01)
Year ended 6-30-2009	10.81	0.04	(2.74)	(2.70)	(0.03)	—	—	(0.03)
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	15.21	0.05	2.17	2.22	(0.10)	(0.84)	—	(0.94)
Year ended 6-30-2013	11.96	0.17	3.28	3.45	(0.20)	—	—	(0.20)
Year ended 6-30-2012	12.64	0.17	(0.66)	(0.49)	(0.19)	—	—	(0.19)
Year ended 6-30-2011	9.83	0.04	2.77	2.81	—	—	—	—
Year ended 6-30-2010	8.28	0.09	1.59	1.68	(0.12)	—	(0.01)	(0.13)
Year ended 6-30-2009	11.11	0.16	(2.81)	(2.65)	(0.18)	—	—	(0.18)

* Not shown due to rounding.

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$16.44	14.72%	\$794	1.27% ⁽⁴⁾	0.23% ⁽⁴⁾	1.28% ⁽⁴⁾	0.22% ⁽⁴⁾	36%
Year ended 6-30-2013	15.14	28.58	646	1.32	0.80	1.33	0.79	62
Year ended 6-30-2012	11.91	-4.12	473	1.39	0.98	1.40	0.97	70
Year ended 6-30-2011	12.55	27.80	474	1.37	0.16	1.38	0.15	48
Year ended 6-30-2010	9.82	19.70	324	1.43	0.36	1.44	0.35	58
Year ended 6-30-2009	8.27	-24.23	248	1.52	1.41	1.53	1.40	72
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	15.61	14.02	5	2.43 ⁽⁴⁾	-0.92 ⁽⁴⁾	2.44 ⁽⁴⁾	-0.93 ⁽⁴⁾	36
Year ended 6-30-2013	14.40	27.12	5	2.54	-0.38	2.55	-0.39	62
Year ended 6-30-2012	11.35	-5.34	6	2.60	-0.23	2.61	-0.24	70
Year ended 6-30-2011	12.01	26.55	11	2.48	-0.98	2.49	-0.99	48
Year ended 6-30-2010	9.49	18.38	13	2.50	-0.68	2.51	-0.69	58
Year ended 6-30-2009	8.02	-25.03	16	2.55	0.37	2.56	0.36	72
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	15.82	14.19	7	2.15 ⁽⁴⁾	-0.64 ⁽⁴⁾	2.16 ⁽⁴⁾	-0.65 ⁽⁴⁾	36
Year ended 6-30-2013	14.59	27.46	6	2.23	-0.10	2.24	-0.11	62
Year ended 6-30-2012	11.48	-5.09	6	2.32	0.06	2.33	0.05	70
Year ended 6-30-2011	12.13	26.75	9	2.29	-0.78	2.30	-0.79	48
Year ended 6-30-2010	9.57	18.55	9	2.35	-0.55	2.36	-0.56	58
Year ended 6-30-2009	8.08	-24.94	7	2.48	0.44	2.49	0.43	72
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	16.49	14.92	10	0.90 ⁽⁴⁾	0.59 ⁽⁴⁾	0.91 ⁽⁴⁾	0.58 ⁽⁴⁾	36
Year ended 6-30-2013	15.21	29.19	9	0.91	1.26	0.92	1.25	62
Year ended 6-30-2012	11.96	-3.75	3	0.93	1.44	0.94	1.43	70
Year ended 6-30-2011	12.64	28.59	3	0.92	0.34	0.93	0.33	48
Year ended 6-30-2010	9.83	20.28	26	0.93	0.87	0.94	0.86	58
Year ended 6-30-2009	8.28	-23.78	23	0.94	2.03	0.95	2.02	72

See Accompanying Notes to Financial Statements.

FINANCIAL HIGHLIGHTS

Waddell & Reed Advisors Funds FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

VANGUARD FUND

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Distributions From Net Investment Income	Distributions From Net Realized Gains	Distributions From Return of Capital	Total Distributions
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$9.50	\$ —*	\$ 2.18	\$ 2.18	\$ —*	\$(1.73)	\$ —	\$(1.73)
Year ended 6-30-2013	8.78	0.02	1.10	1.12	(0.01)	(0.39)	—	(0.40)
Year ended 6-30-2012	8.57	(0.01)	0.22	0.21	—	—	—	—
Year ended 6-30-2011	6.49	(0.01)	2.10	2.09	(0.01)	—	—	(0.01)
Year ended 6-30-2010	6.03	0.00	0.48	0.48	(0.01)	—	(0.01)	(0.02)
Year ended 6-30-2009	9.07	0.02	(2.51)	(2.49)	—*	(0.55)	—	(0.55)
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	7.81	(0.05)	1.78	1.73	—	(1.69)	—	(1.69)
Year ended 6-30-2013	7.37	(0.08)	0.91	0.83	—	(0.39)	—	(0.39)
Year ended 6-30-2012	7.28	(0.10)	0.19	0.09	—	—	—	—
Year ended 6-30-2011	5.58	(0.08)	1.78	1.70	—	—	—	—
Year ended 6-30-2010	5.23	(0.07)	0.42	0.35	—	—	—	—
Year ended 6-30-2009	8.04	(0.05)	(2.23)	(2.28)	—	(0.53)	—	(0.53)
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	7.93	(0.04)	1.80	1.76	—	(1.69)	—	(1.69)
Year ended 6-30-2013	7.45	(0.06)	0.93	0.87	—	(0.39)	—	(0.39)
Year ended 6-30-2012	7.35	(0.09)	0.19	0.10	—	—	—	—
Year ended 6-30-2011	5.63	(0.08)	1.80	1.72	—	—	—	—
Year ended 6-30-2010	5.27	(0.06)	0.42	0.36	—	—	—	—
Year ended 6-30-2009	8.08	(0.05)	(2.23)	(2.28)	—	(0.53)	—	(0.53)
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	9.91	0.02	2.28	2.30	(0.02)	(1.73)	—	(1.75)
Year ended 6-30-2013	9.13	0.05	1.15	1.20	(0.03)	(0.39)	—	(0.42)
Year ended 6-30-2012	8.88	0.02	0.23	0.25	—	—	—	—
Year ended 6-30-2011	6.71	0.02	2.17	2.19	(0.02)	—	—	(0.02)
Year ended 6-30-2010	6.23	0.02	0.51	0.53	(0.04)	—	(0.01)	(0.05)
Year ended 6-30-2009	9.36	0.06	(2.61)	(2.55)	(0.04)	(0.54)	—	(0.58)

* Not shown due to rounding.

(1) Based on average weekly shares outstanding.

(2) Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

(3) Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

(4) Annualized.

	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in millions)	Ratio of Expenses to Average Net Assets Including Expense Waiver	Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver	Ratio of Expenses to Average Net Assets Excluding Expense Waiver ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver ⁽³⁾	Portfolio Turnover Rate
Class A Shares								
Six-month period ended								
12-31-2013 (unaudited)	\$ 9.95	23.78%	\$1,385	1.18% ⁽⁴⁾	0.09% ⁽⁴⁾	1.20% ⁽⁴⁾	0.07% ⁽⁴⁾	28%
Year ended 6-30-2013	9.50	13.29	1,273	1.21	0.24	1.23	0.22	78
Year ended 6-30-2012	8.78	2.45	1,260	1.22	-0.13	1.24	-0.15	46
Year ended 6-30-2011	8.57	32.12	1,289	1.23	-0.09	1.25	-0.11	87
Year ended 6-30-2010	6.49	8.00	1,015	1.26	0.07	1.29	0.04	68
Year ended 6-30-2009	6.03	-26.72	997	1.29	0.34	1.32	0.31	69
Class B Shares								
Six-month period ended								
12-31-2013 (unaudited)	7.85	23.04	7	2.42 ⁽⁴⁾	-1.15 ⁽⁴⁾	2.44 ⁽⁴⁾	-1.17 ⁽⁴⁾	28
Year ended 6-30-2013	7.81	11.78	7	2.50	-1.06	2.52	-1.08	78
Year ended 6-30-2012	7.37	1.24	9	2.50	-1.40	2.52	-1.42	46
Year ended 6-30-2011	7.28	30.47	14	2.43	-1.27	2.45	-1.29	87
Year ended 6-30-2010	5.58	6.69	15	2.46	-1.12	2.49	-1.15	68
Year ended 6-30-2009	5.23	-27.65	19	2.50	-0.88	2.53	-0.91	69
Class C Shares								
Six-month period ended								
12-31-2013 (unaudited)	8.00	23.14	7	2.18 ⁽⁴⁾	-0.91 ⁽⁴⁾	2.20 ⁽⁴⁾	-0.93 ⁽⁴⁾	28
Year ended 6-30-2013	7.93	12.20	6	2.26	-0.81	2.28	-0.83	78
Year ended 6-30-2012	7.45	1.36	6	2.31	-1.22	2.33	-1.24	46
Year ended 6-30-2011	7.35	30.55	7	2.32	-1.17	2.34	-1.19	87
Year ended 6-30-2010	5.63	6.83	7	2.37	-1.03	2.40	-1.06	68
Year ended 6-30-2009	5.27	-27.52	8	2.42	-0.80	2.45	-0.83	69
Class Y Shares								
Six-month period ended								
12-31-2013 (unaudited)	10.46	23.97	86	0.86 ⁽⁴⁾	0.41 ⁽⁴⁾	0.88 ⁽⁴⁾	0.39 ⁽⁴⁾	28
Year ended 6-30-2013	9.91	13.64	80	0.86	0.57	0.88	0.55	78
Year ended 6-30-2012	9.13	2.82	83	0.86	0.20	0.88	0.18	46
Year ended 6-30-2011	8.88	32.59	98	0.86	0.25	0.88	0.23	87
Year ended 6-30-2010	6.71	8.48	49	0.87	0.49	0.90	0.46	68
Year ended 6-30-2009	6.23	-26.47	50	0.88	0.77	0.91	0.74	69

See Accompanying Notes to Financial Statements.

1. ORGANIZATION

Waddell & Reed Advisors Funds, a Delaware statutory trust (the "Trust"), is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. Waddell & Reed Advisors Accumulative Fund, Waddell & Reed Advisors Asset Strategy Fund, Waddell & Reed Advisors Continental Income Fund, Waddell & Reed Advisors Core Investment Fund, Waddell & Reed Advisors Dividend Opportunities Fund, Waddell & Reed Advisors Energy Fund, Waddell & Reed Advisors International Growth Fund, Waddell & Reed Advisors New Concepts Fund, Waddell & Reed Advisors Science and Technology Fund, Waddell & Reed Advisors Small Cap Fund, Waddell & Reed Advisors Tax-Managed Equity Fund, Waddell & Reed Advisors Value Fund and Waddell & Reed Advisors Vanguard Fund (each, a "Fund") are 13 series of the Trust and are the only series of the Trust included in these financial statements. The investment objective(s), policies and risk factors of each Fund are described more fully in the Prospectus and Statement of Additional Information. The investment manager to each Fund is Waddell & Reed Investment Management Company ("WRIMCO" or the "Manager").

Each Fund (except Tax-Managed Equity Fund, which does not offer Class Y shares) offers Class A, Class B, Class C and Class Y shares. Class A shares are sold at their offering price, which is normally net asset value plus a front-end sales charge. Class B and Class C shares are sold without a front-end sales charge, but may be subject to a contingent deferred sales charge ("CDSC"). Class Y shares are sold to certain institutional investors without either a front-end sales charge or a CDSC. All classes of shares have identical rights and voting privileges with respect to the Fund in general and exclusive voting rights on matters that affect that class alone. Net investment income, net assets and net asset value per share may differ due to each class having its own expenses, such as transfer agent and shareholder servicing fees, directly attributable to that class. Class A, Class B and Class C shares have separate distribution and/or service plans. No such plan has been adopted for Class Y shares. Class B shares will automatically convert to Class A shares 96 months after the date of purchase.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by each Fund.

Security Transactions and Related Investment Income. Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses are calculated on the identified cost basis. Interest income is recorded on the accrual basis and includes paydown gain (loss) and accretion of discounts and amortization of premiums. Dividend income is recorded on the ex-dividend date, except certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Fund is informed of the ex-dividend date. All or a portion of the distributions received from a real estate investment trust or publicly traded partnership may be designated as a reduction of cost of the related investment and/or realized gain.

Foreign Currency Translation. Each Fund's accounting records are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars daily, using foreign exchange rates obtained from an independent pricing service authorized by the Board of Trustees of the Trust (the "Board"). Purchases and sales of investment securities and accruals of income and expenses are translated at the rate of exchange prevailing on the date of the transaction. For assets and liabilities other than investments in securities, net realized and unrealized gains and losses from foreign currency translation arise from changes in currency exchange rates. Each Fund combines fluctuations from currency exchange rates and fluctuations in value when computing net realized gain (loss) and net change in unrealized appreciation (depreciation) on investments. Foreign exchange rates are valued as of the close of the New York Stock Exchange ("NYSE"), normally 4:00 P.M. Eastern time, on each day the NYSE is open for trading.

Allocation of Income, Expenses, Gains and Losses. Income, expenses (other than those attributable to a specific class), gains and losses are allocated on a daily basis to each class of shares based upon the relative proportion of net assets represented by such class. Operating expenses directly attributable to a specific class are charged against the operations of that class.

It is the policy of each Fund to distribute all of its taxable income and capital gains to its shareholders and otherwise qualify as a regulated investment company under Subchapter M of the Internal Revenue Code. In addition, each Fund intends to pay distributions as required to avoid imposition of excise tax. Accordingly, no provision has been made for Federal income taxes. Management of the Trust periodically reviews all tax positions to assess that it is more likely than not that the position would be sustained upon examination by the relevant tax authority based on the technical merits of each position. As of and for the period ended December 31, 2013, management believes that no liability for unrecognized tax positions is required. The Funds are subject to examination by U.S. federal and state authorities for returns filed for tax years after 2008.

Dividends and Distributions to Shareholders. Dividends and distributions to shareholders are recorded by each Fund on the business day following record date. Net investment income dividends and capital gains distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America ("U.S. GAAP"). If the total dividends and distributions made in any tax year exceeds net investment income and accumulated realized capital gains, a portion of the total distribution may be treated as a tax return of capital.

Segregation and Collateralization. In cases in which the 1940 Act and the interpretive positions of the Securities and Exchange Commission ("SEC") require that a Fund either deliver collateral or segregate assets in connection with certain investments (e.g., dollar rolls, financial futures contracts, foreign currency exchange contracts, options written, securities with extended settlement periods and swaps), the Fund will segregate collateral or designate on its books and records cash or other liquid securities having a value at least equal to the amount that is required to be physically segregated for the benefit of the counterparty. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, each party has requirements to deliver/deposit cash or securities as collateral for certain investments. Certain countries require that

cash reserves be held while investing in companies incorporated in that country. These cash reserves and cash collateral that has been pledged to cover obligations of the Funds under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as "Restricted cash." Securities collateral pledged for the same purpose, if any, is noted on the Schedule of Investments.

Concentration of Market and Credit Risk. In the normal course of business, the Funds invest in securities and enter into transactions where risks exist due to fluctuations in the market (market risk) or failure of the issuer of a security to meet all its obligations (issuer credit risk). The value of securities held by the Funds may decline in response to certain events, including those directly involving the issuers whose securities are owned by the Funds; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate and price fluctuations. Similar to issuer credit risk, the Funds may be exposed to counterparty credit risk, or the risk that an entity with which the Funds have unsettled or open transactions may fail to or be unable to perform on its commitments. The Funds manage counterparty credit risk by entering into transactions only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Funds to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Funds' exposure to market, issuer and counterparty credit risks with respect to these financial assets is generally approximated by their value recorded on the Funds' Statement of Assets and Liabilities, less any collateral held by the Funds.

Certain Funds may hold high-yield and/or non-investment-grade bonds, which may be subject to a greater degree of credit risk. Credit risk relates to the ability of the issuer to meet interest or principal payments or both as they become due. The Funds may acquire securities in default and are not obligated to dispose of securities whose issuers subsequently default.

Certain Funds may enter into financial instrument transactions (such as swaps, futures, options and other derivatives) that may have off-balance sheet market risk. Off-balance sheet market risk exists when the maximum potential loss on a particular financial instrument is greater than the value of such financial instrument, as reflected on the Statement of Assets and Liabilities.

If a Fund invests directly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in financial derivatives that provide exposure to foreign currencies, it will be subject to the risk that those currencies will decline in value relative to the base currency of the Fund, or, in the case of hedging positions, that the Fund's base currency will decline in value relative to the currency being hedged. Currency rates in foreign countries may fluctuate significantly over short periods of time for a number of reasons, including changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks or supranational entities such as the International Monetary Fund, or by the imposition of currency controls or other political developments in the United States or abroad.

Inflation-Indexed Bonds. Certain Funds may invest in inflation-indexed bonds. Inflation-indexed bonds are fixed-income securities whose principal value is periodically adjusted to the rate of inflation. The interest rate on these bonds is generally fixed at issuance at a rate lower than typical bonds. Over the life of an inflation-indexed bond, however, interest will be paid based on a principal value, which is adjusted for inflation. Any increase or decrease in the principal amount of an inflation-indexed bond will be included as interest income on the Statement of Operations, even though investors do not receive their principal until maturity.

Interest Only Obligations. These securities entitle the owner to receive only the interest portion from a bond, Treasury note or pool of mortgages. These securities are generally created by a third party separating a bond or pool of mortgages into distinct interest-only and principal-only securities. As the principal (par) amount of a bond or pool of mortgages is paid down, the amount of interest income earned by the owner will decline as well.

Payment In-Kind Securities. Certain Funds may invest in payment in-kind securities ("PIKs"). PIKs give the issuer the option at each interest payment date of making interest payments in either cash or additional debt securities. Those additional debt securities usually have the same terms, including maturity dates and interest rates, and associated risks as the original bonds. The daily market quotations of the original bonds may include the accrued interest (referred to as a dirty price) and require a pro-rata adjustment from the unrealized appreciation or depreciation on investments to interest receivable on the Statement of Assets and Liabilities.

Securities on a When-Issued or Delayed Delivery Basis. Certain Funds may purchase securities on a "when-issued" basis, and may purchase or sell securities on a "delayed delivery" basis. "When-issued" or "delayed delivery" refers to securities whose terms and indenture are available and for which a market exists, but which are not available for immediate delivery. Delivery and payment for securities that have been purchased by a Fund on a when-issued basis normally take place within six months and possibly as long as two years or more after the trade date. During this period, such securities do not earn interest, are subject to market fluctuation and may increase or decrease in value prior to their delivery. The purchase of securities on a when-issued basis may increase the volatility of a Fund's net asset value to the extent the Fund executes such transactions while remaining substantially fully invested. When a Fund engages in when-issued or delayed delivery transactions, it relies on the buyer or seller, as the case may be, to complete the transaction. Their failure to do so may cause the Fund to lose the opportunity to obtain or dispose of the security at a price and yield WRIMCO considers advantageous.

The Fund maintains internally designated assets with a value equal to or greater than the amount of its purchase commitments. The Fund may also sell securities that it purchased on a when-issued or delayed delivery basis prior to settlement of the original purchase.

Loans. Certain Funds may invest in loans, the interest rates of which float or adjust periodically based upon a specified adjustment schedule, benchmark indicator, or prevailing interest rates of domestic or foreign corporations, partnerships and other entities ("Borrower"). Loans generally pay interest at rates which are periodically redetermined by reference to a base lending rate plus a premium. These base lending rates generally include prime rates of one or more major U.S. banks, LIBOR rates or certificates of deposit rates. Loans often require prepayments from excess cash flow or

permit the borrower to repay at its election. The degree to which borrowers repay cannot be predicted with accuracy. As a result, the actual maturity may be substantially less than the stated maturities. Loans are exempt from registration under the Securities Act of 1933, may contain certain restrictions on resale, and cannot be sold publicly. A Fund's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties.

When a Fund purchases assignments, it acquires all the rights and obligations under the loan agreement of the assigning lender. Assignments may, however, be arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than those held by the assigning lender. When a Fund purchases a participation of a loan interest, the Fund typically enters into a contractual agreement with the lender or other third party selling the participation. A participation interest in loans includes the right to receive payments of principal, interest and any fees to which it is entitled from the lender and only upon receipt by the lender of payments from the Borrower, but not from the Borrower directly. When investing in a participation interest, if a Borrower is unable to meet its obligations under a loan agreement, a Fund generally has no right to enforce compliance with the terms of the loan agreement. As a result, the Fund assumes the credit risk of the Borrower, the selling participant, and any other persons that are interpositioned between the Fund and the Borrower. If the lead lender in a typical lending syndicate becomes insolvent, enters FDIC receivership or, if not FDIC insured, enters into bankruptcy, the Fund may incur certain costs and delays in receiving payment or may suffer a loss of principal and/or interest.

Custodian Fees. "Custodian fees" on the Statement of Operations may include interest expense incurred by a Fund on any cash overdrafts of its custodian account during the period. Such cash overdrafts may result from the effects of failed trades in portfolio securities and from cash outflows resulting from unanticipated shareholder redemption activity. A Fund pays interest to its custodian on such cash overdrafts, to the extent they are not offset by positive cash balances maintained by that Fund. The "Earnings credit" line item, if shown, represents earnings on cash balances maintained by that Fund during the period. Such interest expense and other custodian fees may be paid with these earnings.

Trustees and Chief Compliance Officer Fees. Fees paid to the Trustees can be paid in cash or deferred to a later date, at the election of the Trustee according to the Deferred Fee Agreement entered into between the Trust and the Trustee(s). Each Fund records its portion of the deferred fees as a liability on the Statement of Assets and Liabilities. All fees paid in cash plus any appreciation (depreciation) in the underlying deferred plan are shown on the Statement of Operations. Additionally, fees paid to the office of the Chief Compliance Officer of the Funds are shown on the Statement of Operations.

Indemnifications. The Trust's organizational documents provide current and former Trustees and Officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Trust. In the normal course of business, the Trust may also enter into contracts that provide general indemnification. The Trust's maximum exposure under these arrangements is unknown and is dependent on future claims that may be made against the Trust. The risk of material loss from such claims is considered remote.

Estimates. The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events. Management has performed a review for subsequent events through the date this report was issued.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

Each Fund's investments are reported at fair value. Fair value is defined as the price that each Fund would receive upon selling an asset or would pay upon satisfying a liability in an orderly transaction between market participants at the measurement date. Each Fund calculates the Net Asset Value ("NAV") of its shares as of the close of the NYSE, normally 4:00 P.M. Eastern time, on each day the NYSE is open for trading.

For purposes of calculating the NAV, the portfolio securities and other assets are valued on each business day using pricing and valuation methods as adopted by the Board. Where market quotes are readily available, fair value is generally determined on the basis of last reported sales prices, or if no sales are reported, based on quotes obtained from a quotation reporting system, established market makers, or pricing services.

Prices for fixed-income securities are typically based on quotes that are obtained from an independent pricing service authorized by the Board. To determine values of fixed-income securities, the independent pricing service utilizes such factors as current quotations by broker/dealers, coupon, maturity, quality, type of issue, trading characteristics, and other yield and risk factors it deems relevant in determining valuations. Securities that cannot be valued by the independent pricing service may be valued using quotes obtained from dealers that make markets in the securities.

Short-term securities with maturities of 60 days or less are valued on the basis of amortized cost (which approximates value), whereby a portfolio security is valued at its cost initially, and thereafter valued to reflect a constant amortization to maturity of any discount or premium.

Because many foreign markets close before the NYSE, events may occur between the close of the foreign market and the close of the NYSE that could have a material impact on the valuation of foreign securities. Waddell & Reed Services Company ("WRSCO"), pursuant to procedures adopted by the Board, evaluates the impact of these events and may adjust the valuation of foreign securities to reflect the fair value as of the close of the NYSE. In addition, all securities for which values are not readily available or are deemed unreliable are appraised at fair value as determined in good faith under the supervision of the Board.

Where market quotes are not readily available, portfolio securities or assets are valued at fair value, as determined in good faith by the Board or WRSCO pursuant to instructions from the Board.

Market quotes are considered not readily available in circumstances where there is an absence of current or reliable market-based data (e.g., trade information or broker quotes), including where events occur after the close of the relevant market, but prior to the NYSE close, that materially affect

the values of a Fund's securities or assets. In addition, market quotes are considered not readily available when, due to extraordinary circumstances, the exchanges or markets on which the securities trade do not open for trading for the entire day and no other market prices are available.

The Board has delegated to WRSCO, the responsibility for monitoring significant events that may materially affect the values of a Fund's securities or assets and for determining whether the value of the applicable securities or assets should be re-evaluated in light of such significant events. WRSCO has established a Valuation Committee to administer and oversee the valuation process, including the use of third party pricing vendors.

The Board has adopted methods for valuing securities and other assets in circumstances where market quotes are not readily available. For instances in which daily market quotes are not readily available, investments may be valued, pursuant to guidelines established by the Board, with reference to other securities or indices. In the event that the security or asset cannot be valued pursuant to one of the valuation methods established by the Board, the value of the security or asset will be determined in good faith by the Valuation Committee and appropriate consultation with the Board.

When a Fund uses these fair valuation methods applied by WRSCO that use significant unobservable inputs to determine its NAV, securities will be priced by a method that the Board or persons acting at their direction believe accurately reflects fair value and are categorized as Level 3 of the fair value hierarchy. These methods may require subjective determinations about the value of a security. The prices used by a Fund may differ from the value that will ultimately be realized at the time the securities were sold.

WRSCO is responsible for monitoring the implementation of the pricing and valuation policies through a series of activities to provide reasonable comfort of the accuracy of prices including: 1) periodic vendor due diligence meetings to review methodologies, new developments, and process at vendors, 2) daily and monthly multi-source pricing comparisons reviewed and submitted to the Valuation Committee, and 3) daily review of unpriced, stale, and variance reports with exceptions reviewed by management and the Valuation Committee.

Accounting standards establish a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the factors that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

An individual investment's fair value measurement is assigned a level based upon the observability of the inputs which are significant to the overall valuation.

The three-tier hierarchy of inputs is summarized as follows:

- Level 1 – Observable input such as quoted prices, available in active markets, for identical assets or liabilities.
- Level 2 – Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.
- Level 3 – Significant unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available, which may include assumptions made by the Board or persons acting at their direction that are used in determining the fair value of investments.

A description of the valuation techniques applied to the Funds' major classes of assets and liabilities measured at fair value on a recurring basis follows:

Asset-Backed Securities and Mortgage-Backed Securities. The fair value of asset-backed securities and mortgage-backed securities are estimated using recently executed transactions and based on models that consider the estimated cash flows of each debt tranche of the issuer, establish a benchmark yield, and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche including, but not limited to, the prepayment speed assumptions and attributes of the collateral. To the extent the inputs are observable and timely, the values would be categorized in Level 2 of the fair value hierarchy, and otherwise they would be categorized as Level 3.

Loans. Loans are valued using a price or composite price from one or more brokers or dealers as obtained from an independent pricing service. The fair value of loans is estimated using recently executed transactions, market price quotations, credit/market events, and cross-asset pricing. Inputs are generally observable market inputs obtained from independent sources. Loans are generally categorized in Level 2 of the fair value hierarchy, unless key inputs are unobservable in which case they would be categorized as Level 3.

Bullion. The fair value of bullion is at the last settlement price at the end of each day on the board of trade or exchange upon which they are traded and are categorized in Level 1 of the fair value hierarchy.

Corporate Bonds. The fair value of corporate bonds is estimated using various techniques, which consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. While most corporate bonds are categorized in Level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3 of the fair value hierarchy.

Derivative Instruments. Forward foreign currency contracts are valued based upon the closing prices of the forward currency rates determined at the close of the NYSE. Swaps are valued by an independent pricing service unless the price is unavailable, in which case they are valued at the price provided by a dealer in that security. Futures contracts traded on an exchange are generally valued at the settlement price. Listed options are ordinarily valued at the mean of the last bid and ask price provided by an independent pricing service unless the price is unavailable, in which case they are valued at a quotation obtained from a broker-dealer. Over-the-counter (“OTC”) options are ordinarily valued at the mean of the last bid and ask price provided by an independent pricing service for a comparable listed option unless such a price is unavailable, in which case they are valued at a quotation obtained from a broker-dealer. If no comparable listed option exists from which to obtain a price from an independent pricing service and a quotation cannot be obtained from a broker-dealer, the OTC option will be valued using a model reasonably designed to provide a current market price.

Listed derivatives that are actively traded are valued based on quoted prices from the exchange and are categorized in Level 1 of the fair value hierarchy. OTC derivative contracts include forward foreign currency contracts, swap agreements, and option contracts related to interest rates, foreign currencies, credit standing of reference entities, equity prices, or commodity prices. Depending on the product and the terms of the transaction, the fair value of the OTC derivative products are modeled taking into account the counterparties’ creditworthiness and using a series of techniques, including simulation models. Many pricing models do not entail material subjectivity because the methodologies employed do not necessitate significant judgments and the pricing inputs are observed from actively quoted markets, as is the case with interest rate swap and option contracts. A substantial majority of OTC derivative products valued using pricing models fall into this category and are categorized within Level 2 of the fair value hierarchy.

Equity Securities. Equity securities traded on U.S. or foreign securities exchanges or included in a national market system are valued at the official closing price at the close of each business day unless otherwise stated below. OTC equity securities and listed securities for which no price is readily available are valued at the average of the last bid and asked prices.

Mutual funds, including investment funds, typically are valued at the NAV reported as of the valuation date.

Securities that are stated at the last reported sales price or closing price on the day of valuation taken from the primary exchange where the security is principally traded and to the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

Foreign securities, for which the primary trading market closes at the same time or after the NYSE, are valued based on quotations from the primary market in which they are traded and categorized in Level 1. Because many foreign securities markets and exchanges close prior to the close of the NYSE, closing prices for foreign securities in those markets or on those exchanges do not reflect the events that occur after that close. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intra-day trading in the U.S. markets for investments such as American Depositary Receipts, financial futures, Exchange Traded Funds, and the movement of certain indices of securities based on a statistical analysis of their historical relationship; such valuations generally are categorized in Level 2.

Preferred stock, repurchase agreements, and other equities traded on inactive markets or valued by reference to similar instruments are also generally categorized in Level 2.

Municipal Bonds. Municipal bonds are fair valued based on pricing models that take into account, among other factors, information received from market makers and broker-dealers, current trades, bid-wants lists, offerings, market movements, the callability of the bond, state of issuance, benchmark yield curves, and bond insurance. To the extent that these inputs are observable and timely, the fair values of municipal bonds would be categorized as Level 2; otherwise the fair values would be categorized as Level 3.

Restricted Securities. Restricted securities that are deemed to be both Rule 144A securities and illiquid, as well as restricted securities held in non-public entities are included in Level 3 of the fair value hierarchy because they trade infrequently, and, therefore, the inputs are unobservable. Restricted securities that are valued at a discount to similar publicly traded securities may be categorized as Level 2 of the fair value hierarchy to the extent that the discount is considered to be insignificant to the fair value measurement in its entirety; otherwise they may be categorized as Level 3.

U.S. Government and Agency Securities. U.S. government and agency securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, quoted market prices, and reference data. Accordingly, U.S. government and agency securities are normally categorized in Level 1 or 2 of the fair value hierarchy depending on the liquidity and transparency of the market.

Transfers from Level 2 to Level 3 occurred generally due to the lack of observable market data due to decreased market activity or information for these securities. Transfers from Level 3 to Level 2 occurred generally due to the increased availability of observable market data due to increased market activity or information. Transfers between levels represent the values as of the beginning of the reporting period.

For fair valuations using unobservable inputs, U.S. GAAP requires a reconciliation of the beginning to ending balances for reported fair values that presents changes attributable to total realized and unrealized gains or losses, purchases and sales, and transfers in or out of the Level 3 category during the period. The beginning of period timing recognition is used for the transfers between Levels of the Funds’ assets and liabilities. In accordance with the requirements of U.S. GAAP, a fair value hierarchy and Level 3 reconciliation, if any, have been included in the Notes to the Schedule of Investments for each respective Fund.

Net realized gain (loss) and net unrealized appreciation (depreciation), shown on the reconciliation of Level 3 investments if applicable, are included on the Statement of Operations in net realized gain (loss) on investments in unaffiliated securities and in net change in unrealized appreciation

(depreciation) on investments in unaffiliated securities, respectively. Additionally, the net change in unrealized appreciation for all Level 3 investments still held as of December 31, 2013, if applicable, is included on the Statement of Operations in net change in unrealized appreciation (depreciation) on investments in unaffiliated securities.

The Funds may own different types of assets that are classified as Level 2 or Level 3. Assets classified as Level 2 can have a variety of observable inputs, including, but not limited to, benchmark yields, reported trades, broker quotes, benchmark securities, and bid/offer quotations. These observable inputs are collected and utilized, primarily by an independent pricing service, in different evaluated pricing approaches depending upon the specific asset to determine a value.

4. DERIVATIVE INSTRUMENTS (\$ amounts in thousands unless indicated otherwise)

The following disclosures contain information on why and how the Funds use derivative instruments, the associated risks of investing in derivative instruments, and how derivative instruments affect the Funds' financial positions and results of operations when presented by primary underlying risk exposure.

Forward Foreign Currency Contracts. Each Fund may enter into forward foreign currency contracts ("forward contracts") for the purchase or sale of a foreign currency at a negotiated rate at a future date. Forward contracts are reported on a schedule following the Schedule of Investments. Forward contracts will be valued daily based upon the closing prices of the forward currency rates determined at the close of the NYSE as provided by a bank, dealer or independent pricing service. The resulting unrealized appreciation and depreciation is reported on the Statement of Assets and Liabilities as a receivable or payable and on the Statement of Operations within the change in unrealized appreciation (depreciation). At contract close, the difference between the original cost of the contract and the value at the close date is recorded as a realized gain (loss) on the Statement of Operations.

Risks to a Fund related to the use of such contracts include both market and credit risk. Market risk is the risk that the value of the forward contract will depreciate due to unfavorable changes in the exchange rates. Credit risk arises from the possibility that the counterparty will default. If the counterparty defaults, a Fund's maximum loss will consist of the aggregate unrealized gain on appreciated contracts that is not collateralized.

Futures Contracts. Each Fund may engage in buying and selling futures contracts. Upon entering into a futures contract, the Fund is required to deposit, in a segregated account, an amount equal to a varying specified percentage of the contract amount. This amount is known as the initial margin. Subsequent payments (variation margins) are made or received by the Fund each day, dependent on the daily fluctuations in the value of the underlying debt security or index.

Futures contracts are reported on a schedule following the Schedule of Investments. Securities held in collateralized accounts to cover initial margin requirements on open futures contracts are identified on the Schedule of Investments. Cash held by the broker to cover initial margin requirements on open futures contracts and the receivable and/or payable for the daily mark to market for the variation margin are noted on the Statement of Assets and Liabilities. The net change in unrealized appreciation (depreciation) is reported on the Statement of Operations. Realized gains (losses) are reported on the Statement of Operations at the closing or expiration of futures contracts.

Risks of entering into futures contracts include the possibility of loss of securities or cash held as collateral, that there may be an illiquid market where the Fund is unable to close the contract or enter into an offsetting position and, if used for hedging purposes, the risk that the price of the contract will correlate imperfectly with the prices of the Fund's securities.

Option Contracts. Options purchased by a Fund are accounted for in the same manner as marketable portfolio securities. The cost of portfolio securities acquired through the exercise of call options is increased by the premium paid to purchase the call. The proceeds from securities sold through the exercise of put options are decreased by the premium paid to purchase the put.

When a Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded as a liability. The amount of the liability is subsequently adjusted to reflect the current value of the option written. When an option expires on its stipulated expiration date or a Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the call option was sold), and the liability related to such option is extinguished. When a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether a Fund has realized a gain or loss. For each Fund, when a written put is exercised, the cost basis of the securities purchased by a Fund is reduced by the amount of the premium received.

Investments in options, whether purchased or written, involve certain risks. Writing put options and purchasing call options may increase a Fund's exposure to the underlying security (or basket of securities). With written options, there may be times when a Fund will be required to purchase or sell securities to meet its obligation under the option contract where the required action is not beneficial to the Fund, due to unfavorable movement of the market price of the underlying security (or basket of securities). Additionally, to the extent a Fund enters into OTC option transactions with counterparties, the Fund will be exposed to the risk that counterparties to these OTC transactions will be unable to meet their obligations under the terms of the transaction.

Swap Agreements. Each Fund may invest in swap agreements.

Total return swaps involve a commitment to pay periodic interest payments in exchange for a market-linked return based on a security or a basket of securities representing a variety of securities or a particular index. To the extent the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Fund will receive a payment from or make a payment to the counterparty.

The creditworthiness of the counterparty with which a Fund enters into a swap agreement is monitored by WRIMCO. If a firm's creditworthiness declines, the value of the agreement would likely decline, potentially resulting in losses. If a default occurs by the counterparty to such a transaction, the Fund will have contractual remedies pursuant to the agreement related to the transaction. The maximum loss a Fund may incur consists of the aggregate unrealized gain on appreciated contracts that is not collateralized.

Collateral and rights of offset. A Fund may mitigate credit risk with respect to OTC derivative counterparties through credit support annexes ("CSA") included with an International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement which is the standard contract governing most derivative transactions between the Fund and each of its counterparties. The CSA allows the Fund and its counterparty to offset certain derivative financial instruments' payables and/or receivables against each other and/or with collateral, which is generally held by the Fund's custodian. The amount of collateral moved to/from applicable counterparties is based upon minimum transfer amounts specified in the CSA. To the extent amounts due to the Fund from its counterparties are not fully collateralized contractually or otherwise, the Fund bears the risk of loss from counterparty non-performance. See Note 2 "Segregation and Collateralization" for additional information with respect to collateral practices.

Offsetting of Assets and Liabilities. Financial Accounting Standards Board ("FASB") Accounting Standards Update 2011-11, Disclosures about Offsetting Assets and Liabilities, requires an entity that has financial instruments that are either (1) offset or (2) subject to an enforceable master netting arrangement or similar agreement to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position.

The following tables present financial instruments subject to master netting agreements as of December 31, 2013:

Assets

Fund	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Statement of Assets and Liabilities	Net Amounts of Assets Presented on the Statement of Assets and Liabilities	Gross Amounts Not Offset on the Statement of Assets and Liabilities			
				Financial Instruments and Derivatives Available for Offset	Non-Cash Collateral Received	Cash Collateral Received	Net Amount Receivable
Asset Strategy Fund							
Investments in unaffiliated securities at value*	\$ 4,692	\$—	\$ 4,692	\$(1,139)	\$(3,189)	\$ (364)	\$ —
Unrealized appreciation on forward foreign currency contracts	18,426	—	18,426	—	(6,125)	(10,146)	2,155
Total	\$23,118	\$—	\$23,118	\$(1,139)	\$(9,314)	\$(10,510)	\$2,155
International Growth Fund							
Unrealized appreciation on forward foreign currency contracts	\$ 1,194	\$—	\$ 1,194	\$ —	\$ —	\$ (900)	\$ 294
New Concepts Fund							
Investments in unaffiliated securities at value*	\$ 424	\$—	\$ 424	\$ (424)	\$ —	\$ —	\$ —
Science and Technology Fund							
Investments in unaffiliated securities at value*	\$ 9,648	\$—	\$ 9,648	\$(2,332)	\$ —	\$ (290)	\$7,026
Small Cap Fund							
Unrealized appreciation on swap agreements	\$ 103	\$—	\$ 103	\$ —	\$ (103)	\$ —	\$ —

* Purchased options are reported as investments in unaffiliated securities on the Statement of Assets and Liabilities.

Liabilities

Fund	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented on the Statement of Assets and Liabilities	Gross Amounts Not Offset on the Statement of Assets and Liabilities			
				Financial Instruments and Derivatives Available for Offset	Non-Cash Collateral Pledged	Cash Collateral Pledged	Net Amount Payable
Asset Strategy Fund							
Written options at value	\$1,139	\$—	\$1,139	\$(1,139)	\$—	\$ —	\$ —
International Growth Fund							
Unrealized depreciation on forward foreign currency contracts	\$1,220	\$—	\$1,220	\$ —	\$—	\$(1,220)	\$ —
New Concepts Fund							
Written options at value	\$ 750	\$—	\$ 750	\$ (424)	\$—	\$ —	\$326
Science and Technology Fund							
Written options at value	\$2,332	\$—	\$2,332	\$(2,332)	\$—	\$ —	\$ —

Additional Disclosure Related to Derivative Instruments

Fair values of derivative instruments as of December 31, 2013:

Fund	Type of Risk Exposure	Assets		Liabilities	
		Statement of Assets & Liabilities Location	Value	Statement of Assets & Liabilities Location	Value
Accumulative Fund	Equity	Investments in unaffiliated securities at value*	\$ 852	Written options at value	\$ 309
Asset Strategy Fund	Commodity	Investments in unaffiliated securities at value*	106	Written options at value	60
	Commodity	Unrealized appreciation on futures contracts**	5,083		
	Equity	Investments in unaffiliated securities at value*	4,692	Written options at value	1,139
	Foreign currency	Unrealized appreciation on forward foreign currency contracts	18,426		
International Growth Fund	Foreign currency	Unrealized appreciation on forward foreign currency contracts	1,194	Unrealized depreciation on forward foreign currency contracts	1,220
New Concepts Fund	Equity	Investments in unaffiliated securities at value*	424	Written options at value	750
Science and Technology Fund	Equity	Investments in unaffiliated securities at value*	12,887	Written options at value	2,879
Small Cap Fund	Equity	Unrealized appreciation on swap agreements	103		
Value Fund	Equity			Written options at value	4,834

* Purchased options are reported as investments in unaffiliated securities and are reflected on the accompanying Schedule of Investments.

** The value presented includes cumulative gain (loss) on open futures contracts; however, the value reflected on the accompanying Statement of Assets and Liabilities is only the unsettled variation margin receivable (payable) as of December 31, 2013.

Amount of realized gain (loss) on derivatives recognized on the Statement of Operations for the period ended December 31, 2013:

Net realized gain (loss) on:							
Fund	Type of Risk Exposure	Investments in unaffiliated securities*	Swap agreements	Futures contracts	Written options	Forward foreign currency contracts	Total
Accumulative Fund	Equity	\$(3,200)	\$ —	\$ —	\$ 2,947	\$ —	\$ (253)
Asset Strategy Fund	Commodity	—	—	(10,397)	—	—	(10,397)
	Equity	352	—	(14,163)	12,194	—	(1,617)
	Foreign currency	—	—	—	—	15,164	15,164
International Growth Fund	Foreign currency	—	—	—	—	66	66
New Concepts Fund	Equity	(4,837)	—	—	765	—	(4,072)
Science and Technology Fund	Equity	245	—	—	390	—	635
Small Cap Fund	Equity	—	2,999	—	—	—	2,999
Value Fund	Equity	—	—	—	(574)	—	(574)

* Purchased options are reported as investments in unaffiliated securities and are reflected on the accompanying Schedule of Investments.

Change in unrealized appreciation (depreciation) on derivatives recognized on the Statement of Operations for the period ended December 31, 2013:

Fund	Type of Risk Exposure	Net change in unrealized appreciation (depreciation) on:					Total
		Investments in unaffiliated securities*	Swap agreements	Futures contracts	Written options	Forward foreign currency contracts	
Accumulative Fund	Equity	\$ (311)	\$ —	\$ —	\$ 343	\$ —	\$ 32
Asset Strategy Fund	Commodity	10	—	6,942	42	—	6,994
	Equity	4,792	—	—	1,637	—	6,429
	Foreign currency	—	—	—	—	12,899	12,899
International Growth Fund	Foreign currency	—	—	—	—	(4,988)	(4,988)
New Concepts Fund	Equity	277	—	—	(66)	—	211
Science and Technology Fund	Equity	(761)	—	—	503	—	(258)
Small Cap Fund	Equity	—	375	—	—	—	375
Value Fund	Equity	—	—	—	(3,561)	—	(3,561)

* Purchased options are reported as investments in unaffiliated securities and are reflected on the accompanying Schedule of Investments.

During the period ended December 31, 2013, the average derivative volume was as follows:

Fund	Long forward contracts ⁽¹⁾	Short forward contracts ⁽¹⁾	Long futures contracts ⁽¹⁾	Short futures contracts ⁽¹⁾	Swap agreements ⁽²⁾	Purchased options ⁽¹⁾	Written options ⁽¹⁾
Accumulative Fund	\$ —	\$ —	\$ —	\$ —	\$—	\$1,012	\$ 801
Asset Strategy Fund	346,467	342,762	28,019	111,466	—	7,209	2,702
International Growth Fund	124,869	124,372	—	—	—	—	—
New Concepts Fund	—	—	—	—	—	740	315
Science and Technology Fund	—	—	—	—	—	1,841	411
Small Cap Fund	—	—	—	—	48	—	—
Value Fund	—	—	—	—	—	—	1,432

(1) Average value outstanding during the period.

(2) Average notional amount outstanding during the period.

Objectives and Strategies

Accumulative Fund. The Fund's objectives in using derivatives during the period included hedging market risk on equity securities and generating additional income from written option premiums. To achieve these objectives, the Fund utilized options, both written and purchased, on individual equity securities and domestic equity indices.

Asset Strategy Fund. The Fund's objectives in using derivatives during the period included hedging market risk on equity securities, increasing exposure to various equity markets, managing exposure to various foreign currencies, and hedging certain event risks on positions held by the Fund. To achieve the objective of hedging market risk and increasing exposure to equity markets, the Fund utilized futures, total return swaps and option contracts on foreign and domestic equity indices. To manage foreign currency exposure, the Fund utilized forward contracts and option contracts to either increase or decrease exposure to a given currency. To manage event risks, the Fund utilized short futures on commodities, as well as on foreign and domestic equity indices and option contracts, both written and purchased, on individual equity securities owned by the Fund.

International Growth Fund. The Fund's objectives in using derivatives during the period included managing the exposure to various foreign currencies and gaining exposure to certain individual securities that are not available for direct purchase. To manage foreign currency exposure, the Fund utilized forward contracts and purchased option contracts to either increase or decrease exposure to a given currency. To gain exposure to certain individual securities, the Fund utilized total return swaps.

New Concepts Fund. The Fund's objectives in using derivatives during the period included gaining exposure to certain sectors, hedging certain event risks on positions held by the Fund and hedging market risk on equity securities. To achieve these objectives, the Fund utilized options, both written and purchased, on either an index or on individual or baskets of equity securities.

Science and Technology Fund. The Fund's objective in using derivatives during the period was to hedge market risk on securities in its portfolio. To achieve this objective, the Fund utilized options, both written and purchased, on individual equity securities owned by the Fund and on domestic equity indices.

Small Cap Fund. The Fund's objectives in using derivatives during the period included hedging market risk on equity securities and increasing exposure to various equity sectors and markets. To achieve these objectives, the Fund utilized total return swaps and futures on domestic equity indices.

Value Fund. The Fund's objectives in using derivatives during the period included hedging market risk on equity securities, generating additional income from written option premiums, and gaining exposure to, or facilitate trading in, certain securities. To achieve the objective of hedging market risk, the Fund utilized futures on domestic equity indices. To achieve the objective of generating additional income and gaining exposure to certain securities, the Fund utilized options, both written and purchased, on individual equity securities.

5. WRITTEN OPTION ACTIVITY (\$ amounts in thousands)

Transactions in written options were as follows:

Fund	Outstanding at 6-30-13	Options written	Options closed	Options exercised	Options expired	Outstanding at 12-31-13
Accumulative Fund						
Number of Contracts	78	15,209	(8,689)	(500)	(3,248)	2,850
Premium Received	\$1,102	\$ 5,531	\$ (5,434)	\$ (58)	\$ (490)	\$ 651
Asset Strategy Fund						
Number of Contracts	8,451	56,871	(21,250)	(1,948)	(30,331)	11,793
Premium Received	\$5,681	\$16,207	\$ (12,009)	\$ (120)	\$ (7,571)	\$ 2,188
New Concepts Fund						
Number of Contracts	3,256	31,272	—	(9,794)	(11,690)	13,044
Premium Received	\$ 554	\$ 1,386	\$ —	\$ (472)	\$ (765)	\$ 703
Science and Technology Fund						
Number of Contracts	—	39,898	(12,837)	—	—	27,061
Premium Received	\$ —	\$ 4,413	\$ (1,031)	\$ —	\$ —	\$ 3,382
Value Fund						
Number of Contracts	5,263	23,899	(6,866)	(2,850)	(9,593)	9,853
Premium Received	\$ 566	\$ 2,624	\$ (803)	\$ (264)	\$ (845)	\$ 1,278

6. BASIS FOR CONSOLIDATION OF THE ASSET STRATEGY FUND

WRA ASF II, Ltd. (the "Subsidiary"), a Cayman Islands exempted company, was incorporated as a wholly owned subsidiary acting as an investment vehicle for the Asset Strategy Fund (referred to as "the Fund" in this subsection). WRA ASF III (SBP), LLC and WRA ASF, LLC (each a "Company"), Delaware limited liability companies, were incorporated as wholly owned companies acting as investment vehicles for the Fund. Each Subsidiary and Company acts as an investment vehicle for the Fund, in order to effect certain investments for the Fund consistent with the Fund's investment objectives and policies as specified in their prospectus and statement of additional information.

The Fund's investment portfolio has been consolidated and includes the portfolio holdings of the Fund and its Subsidiary and Company. The consolidated financial statements include the accounts of the Fund and its Subsidiary and Company. All inter-company transactions and balances have been eliminated. A subscription agreement was entered into between the Fund and its Subsidiary and Company comprising the entire issued share capital of the Subsidiary and Company with the intent that the Fund will remain the sole shareholder and retain all rights. Under the Articles of Association, shares issued by the Subsidiary and Company confer upon a shareholder the right to receive notice of, to attend and to vote at general meetings of the Subsidiary and Company and shall confer upon the shareholder rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Subsidiary and Company.

See the table below for details regarding the structure, incorporation and relationship as of December 31, 2013 of each Subsidiary and Company to the Fund (amounts in thousands).

Subsidiary/Company	Date of Incorporation	Subscription Agreement	Fund Net Assets	Subsidiary Net Assets	Percentage of Fund Net Assets
WRA ASF II, Ltd.	1-31-13	4-10-13	\$3,717,721	\$190,146	5.11%
WRA ASF III (SBP), LLC	4-9-13	4-23-13	3,717,721	92,960	2.50
WRA ASF, LLC	12-10-12	12-18-12	3,717,721	49,795	1.34

7. INVESTMENT MANAGEMENT AND PAYMENTS TO AFFILIATED PERSONS (\$ amounts in thousands unless indicated otherwise)

Management Fees. WRIMCO, a wholly owned subsidiary of Waddell & Reed, Inc. (“W&R”), serves as each Fund’s investment manager. The management fee is accrued daily by each Fund at the following annual rates as a percentage of average daily net assets:

Fund (M – Millions)	\$0 to \$1,000M	\$1,000 to \$2,000M	\$2,000 to \$3,000M	\$3,000 to \$5,000M	\$5,000 to \$6,000M	Over \$6,000M
Accumulative Fund	0.700%	0.650%	0.600%	0.550%	0.550%	0.550%
Asset Strategy Fund	0.700	0.650	0.600	0.550	0.550	0.550
Continental Income Fund	0.700	0.650	0.600	0.550	0.550	0.550
Core Investment Fund	0.700	0.650	0.600	0.550	0.525	0.500
Dividend Opportunities Fund	0.700	0.650	0.600	0.550	0.550	0.550
Energy Fund	0.850	0.830	0.800	0.760	0.760	0.760
International Growth Fund	0.850	0.830	0.800	0.760	0.760	0.760
New Concepts Fund	0.850	0.830	0.800	0.760	0.760	0.760
Science and Technology Fund	0.850	0.830	0.800	0.760	0.760	0.760
Small Cap Fund	0.850	0.830	0.800	0.760	0.760	0.760
Tax-Managed Equity Fund	0.650	0.600	0.550	0.500	0.500	0.500
Value Fund	0.700	0.650	0.600	0.550	0.550	0.550
Vanguard Fund	0.700	0.650	0.600	0.550	0.550	0.550

Effective October 1, 2006, under terms of a settlement agreement reached in July 2006 (see Note 13), the fee is payable at the following annual rates for those Funds included in the settlement agreement:

Fund (M – Millions)	\$0 to \$1,000M	\$1,000 to \$2,000M	\$2,000 to \$3,000M	\$3,000 to \$5,000M	\$5,000 to \$6,000M	Over \$6,000M
Accumulative Fund	0.660%	0.640%	0.600%	0.550%	0.550%	0.550%
Asset Strategy Fund	0.690	0.650	0.600	0.550	0.550	0.550
Core Investment Fund	0.650	0.640	0.600	0.550	0.525	0.500
International Growth Fund	0.820	0.830	0.800	0.760	0.760	0.760
New Concepts Fund	0.830	0.830	0.800	0.760	0.760	0.760
Science and Technology Fund	0.830	0.830	0.800	0.760	0.760	0.760
Small Cap Fund	0.830	0.830	0.800	0.760	0.760	0.760
Value Fund	0.690	0.650	0.600	0.550	0.550	0.550
Vanguard Fund	0.670	0.650	0.600	0.550	0.550	0.550

Effective June 29, 2009 through September 30, 2016, the fee is payable at the following annual rates for Continental Income Fund:

Fund (M – Millions)	\$0 to \$1,000M	\$1,000 to \$2,000M	\$2,000 to \$3,000M	\$3,000 to \$5,000M	\$5,000 to \$6,000M	Over \$6,000M
Continental Income Fund	0.680%	0.650%	0.600%	0.550%	0.550%	0.550%

WRIMCO has voluntarily agreed to waive a Fund’s management fee on any day that the Fund’s net assets are less than \$25 million, subject to WRIMCO’s right to change or modify this waiver. See Waivers of Expenses for more information.

Accounting Services Fees. The Trust has an Accounting Services Agreement with Waddell & Reed Services Company (“WRSCO”), doing business as WI Services Company (“WISC”), an affiliate of W&R. Under the agreement, WISC acts as the agent in providing bookkeeping and accounting services and assistance to the Trust, including maintenance of Fund records, pricing of Fund shares and preparation of certain shareholder reports. For these services, each Fund pays WISC a monthly fee of one-twelfth of the annual fee based on the average net asset levels shown in the following table:

(M – Millions)	\$0 to \$10M	\$10 to \$25M	\$25 to \$50M	\$50 to \$100M	\$100 to \$200M	\$200 to \$350M	\$350 to \$550M	\$550 to \$750M	\$750 to \$1,000M	Over \$1,000M
Annual Fee Rate	\$0.00	\$11.50	\$23.10	\$35.50	\$48.40	\$63.20	\$82.50	\$96.30	\$121.60	\$148.50

In addition, for each class of shares in excess of one, each Fund pays WISC a monthly per-class fee equal to 2.5% of the monthly accounting services base fee.

Administrative Fee. Each Fund also pays WISC a monthly fee at the annual rate of 0.01%, or one basis point, for the first \$1 billion of net assets with no fee charged for net assets in excess of \$1 billion. This fee is voluntarily waived by WISC until a Fund’s net assets are at least \$10 million and is included in “Accounting services fee” on the Statement of Operations.

Shareholder Servicing. General. Under the Shareholder Servicing Agreement between the Trust and WISC, with respect to Class A, Class B and Class C shares, for each shareholder account that was in existence at any time during the prior month, each Fund pays a monthly fee that ranges from \$1.5042 to \$1.5792; however, WISC has agreed to reduce that fee if the number of total shareholder accounts within the Complex (Waddell & Reed Advisors Funds, InvestEd Portfolios and Ivy Funds) reaches certain levels. For Class Y shares, each Fund pays a monthly fee equal to one-twelfth of 0.15 of 1% of the average daily net assets of the class for the preceding month. Each Fund also reimburses WISC for certain out-of-pocket costs for all classes.

Networked accounts. For certain networked accounts (that is, those accounts whose Fund shares are purchased through certain financial intermediaries), WISC has agreed to reduce its per account fees charged to the Funds to \$0.50 per month per shareholder account. Additional fees may be paid by the Funds to those intermediaries. If the aggregate annual rate of the WISC transfer agent fee and the costs charged by the financial services companies exceeds \$18.00 per account for a Fund, WISC will reimburse the Fund the amount in excess of \$18.00.

Broker accounts. Certain broker-dealers that maintain shareholder accounts with each Fund through an omnibus account provide transfer agent and other shareholder-related services that would otherwise be provided by WISC if the individual accounts that comprise the omnibus account were opened by their beneficial owners directly. Each Fund may pay such broker-dealers a per account fee for each open account within the omnibus account, or a fixed rate fee, based on the average daily net asset value of the omnibus account (or a combination thereof).

Distribution and Service Plan for Class A Shares. Under a Distribution and Service Plan for Class A shares adopted by the Trust pursuant to Rule 12b-1 under the 1940 Act, each Fund may pay a distribution and/or service fee to W&R in an amount not to exceed 0.25% of the Fund's average annual net assets. The fee is paid daily to compensate W&R for amounts it expends in connection with the distribution of the Class A shares and/or provision of personal services to Fund shareholders and/or maintenance of shareholder accounts of that class either directly or by third parties. For each of Accumulative Fund, Core Investment Fund and Tax-Managed Equity Fund, the Board of Trustees has limited payments to 0.234%, 0.249% and 0.236%, respectively, of the Fund's average Class A net assets on an annual basis. The Board may in the future, without shareholder approval, authorize payments up to a maximum of 0.25% of the Fund's average Class A net assets on an annual basis, if it determines to do so.

Distribution and Service Plan for Class B and Class C Shares. Under the Distribution and Service Plan adopted by the Trust for Class B and Class C shares, respectively, each Fund may pay W&R a service fee not to exceed 0.25% and a distribution fee not to exceed 0.75% of the Fund's average annual net assets attributable to that class to compensate W&R for its services in connection with the distribution of shares of that class and/or provision of personal services to Class B or Class C shareholders and/or maintenance of shareholder accounts of that class.

Sales Charges. As principal underwriter for the Trust's shares, W&R receives sales commissions (which are not an expense of the Trust) for sales of Class A shares. A CDSC may be assessed against a shareholder's redemption amount of Class B, Class C or certain Class A shares and is paid to W&R. During the period ended December 31, 2013, W&R received the following amounts in sales commissions and CDSCs (\$ amounts rounded to thousands):

	Gross Sales Commissions	CDSC			Commissions Paid ⁽¹⁾
		Class A	Class B	Class C	
Accumulative Fund	\$ 192	\$ 1	\$ 1	\$ —*	\$ 108
Asset Strategy Fund	1,824	10	19	3	1,040
Continental Income Fund	575	1	1	1	354
Core Investment Fund	1,261	5	4	1	712
Dividend Opportunities Fund	189	—*	1	—*	112
Energy Fund	115	—*	1	—*	66
International Growth Fund	99	2	1	—*	53
New Concepts Fund	559	1	4	—*	329
Science and Technology Fund	1,221	2	6	1	699
Small Cap Fund	336	—*	3	—*	201
Tax-Managed Equity Fund	70	—*	—*	—*	45
Value Fund	217	1	1	—*	135
Vanguard Fund	241	1	2	—*	130

* Not shown due to rounding.

(1) W&R reallocated/paid this portion of the sales charge to financial advisors and selling broker-dealers.

Waivers of Expenses (\$ amounts rounded to thousands). During the period ended December 31, 2013, the following amounts were waived as a result of the reduced management fees related to the settlement agreement:

Accumulative Fund	\$ 213
Asset Strategy Fund	50
Continental Income Fund	98
Core Investment Fund	302
International Growth Fund	86
New Concepts Fund	101
Science and Technology Fund	101
Small Cap Fund	88
Value Fund	37
Vanguard Fund	151

For each of Accumulative Fund, Core Investment Fund and Tax-Managed Equity Fund, the Board of Trustees has limited Rule 12b-1 payments to 0.234%, 0.249% and 0.236%, respectively, of the Fund's average Class A net assets on an annual basis. During the period ended December 31, 2013, the following amounts represent the difference between 0.25% and the reduced Rule 12b-1 fees:

Accumulative Fund	\$ 97
Core Investment Fund	19
Tax-Managed Equity Fund	18

Any amounts due to the funds as a reimbursement but not paid as of December 31, 2013 are shown as a receivable from affiliates on the Statement of Assets and Liabilities.

8. AFFILIATED COMPANY TRANSACTIONS (All amounts in thousands)

A summary of the transactions in affiliated companies during the period ended December 31, 2013 follows:

	6-30-13 Share Balance	Purchases at Cost	Sales at Cost	Realized Gain/(Loss)	Distributions Received	12-31-13 Share Balance	12-31-13 Value
Science and Technology Fund							
ACI Worldwide, Inc. ⁽¹⁾⁽²⁾	2,010	\$ —	\$26,900	\$15,110	\$ —	1,787	\$116,179
Axiom Corporation ⁽¹⁾	4,383	—	9,691	850	—	4,383	162,101
Aspen Technology, Inc. ⁽¹⁾⁽²⁾	5,354	—	33,196	49,261	—	4,504	188,288
BioAmber Inc. ⁽¹⁾	1,423	167	—	—	—	1,462	10,934
ESCO Technologies Inc. ⁽²⁾	1,699	—	8,441	(2,102)	571	1,170	40,092
Euronet Worldwide, Inc. ⁽¹⁾⁽²⁾	2,539	—	3,848	(652)	—	2,487	118,990
iGATE Corporation ⁽¹⁾	3,003	—	—	—	—	3,003	120,600
Photronics, Inc. ⁽¹⁾	3,064	2,841	—	—	—	3,419	30,874
Silver Spring Networks, Inc. ⁽¹⁾	N/A	46,827	—	—	—	3,033	63,694
WNS (Holdings) Limited, ADR ⁽¹⁾	3,131	5,178	—	—	—	3,387	74,213
				<u>\$62,467</u>	<u>\$571</u>		<u>\$925,965</u>

(1) No dividends were paid during the preceding 12 months.

(2) No longer affiliated as of December 31, 2013.

9. INVESTMENT SECURITIES TRANSACTIONS (\$ amounts in thousands)

The cost of purchases and the proceeds from maturities and sales of investment securities (excluding short-term securities) for the period ended December 31, 2013, were as follows:

	Purchases		Sales	
	U.S. Government	Other Issuers	U.S. Government	Other Issuers
Accumulative Fund	\$ —	\$ 495,321	\$ —	\$ 542,058
Asset Strategy Fund	—	906,314	755	878,975
Continental Income Fund	10,504	321,125	13,308	122,529
Core Investment Fund	—	1,162,973	—	1,063,849
Dividend Opportunities Fund	—	214,470	—	296,401
Energy Fund	—	62,104	—	64,618
International Growth Fund	—	168,935	—	113,520
New Concepts Fund	—	326,309	—	396,267
Science and Technology Fund	—	912,126	—	906,110
Small Cap Fund	—	197,176	—	230,240
Tax-Managed Equity Fund	—	48,695	—	52,527
Value Fund	—	297,837	—	249,396
Vanguard Fund	—	400,344	—	574,787

10. CAPITAL SHARE TRANSACTIONS (All amounts in thousands)

The Trust has authorized an unlimited number of no par value shares of beneficial interest of each class of each Fund. Transactions in shares of beneficial interest were as follows:

	Accumulative Fund				Asset Strategy Fund			
	Six months ended 12-31-13		Year ended 6-30-13		Six months ended 12-31-13		Year ended 6-30-13	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Shares issued from sale of shares:								
Class A	4,848	\$ 48,936	8,077	\$ 68,857	27,389	\$ 308,446	47,844	\$ 477,052
Class B	20	184	49	372	153	1,681	454	4,358
Class C	43	396	58	452	492	5,413	875	8,502
Class Y	24	245	29	249	3,445	40,149	6,544	65,034
Shares issued in reinvestment of distributions to shareholders:								
Class A	327	3,429	692	5,609	13,391	151,999	6,312	61,097
Class B	—*	3	—*	1	212	2,344	56	531
Class C	—*	3	1	7	278	3,085	79	752
Class Y	2	20	3	23	295	3,351	234	2,267
Shares redeemed:								
Class A	(10,548)	(105,921)	(23,496)	(199,575)	(31,872)	(358,398)	(64,136)	(634,243)
Class B	(144)	(1,298)	(443)	(3,369)	(751)	(8,201)	(2,126)	(20,402)
Class C	(74)	(672)	(184)	(1,414)	(804)	(8,814)	(1,998)	(19,226)
Class Y	(21)	(203)	(115)	(977)	(834)	(9,355)	(6,826)	(69,531)
Net increase (decrease)	(5,523)	\$ (54,878)	(15,329)	\$ (129,765)	11,394	\$ 131,700	(12,688)	\$ (123,809)
	Continental Income Fund				Core Investment Fund			
	Six months ended 12-31-13		Year ended 6-30-13		Six months ended 12-31-13		Year ended 6-30-13	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Shares issued from sale of shares:								
Class A	25,210	\$ 249,828	25,268	\$ 230,936	45,600	\$ 346,057	73,211	\$ 492,634
Class B	58	577	153	1,375	158	1,060	389	2,323
Class C	416	4,100	384	3,479	540	3,632	794	4,849
Class Y	83	817	199	1,803	931	6,982	3,990	27,598
Shares issued in reinvestment of distributions to shareholders:								
Class A	5,639	54,826	4,275	36,689	73,609	509,380	29,693	184,986
Class B	29	276	31	265	388	2,351	188	1,048
Class C	66	637	48	405	471	2,896	175	986
Class Y	33	325	31	268	1,749	12,138	644	4,023
Shares redeemed:								
Class A	(7,771)	(77,522)	(12,466)	(112,653)	(39,694)	(302,631)	(80,710)	(540,376)
Class B	(78)	(768)	(302)	(2,705)	(371)	(2,461)	(1,035)	(6,150)
Class C	(123)	(1,216)	(208)	(1,871)	(416)	(2,833)	(687)	(4,140)
Class Y	(60)	(583)	(90)	(833)	(1,763)	(13,361)	(1,249)	(8,361)
Net increase	23,502	\$ 231,297	17,323	\$ 157,158	81,202	\$ 563,210	25,403	\$ 159,420

* Not shown due to rounding.

	Dividend Opportunities Fund				Energy Fund			
	Six months ended 12-31-13		Year ended 6-30-13		Six months ended 12-31-13		Year ended 6-30-13	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Shares issued from sale of shares:								
Class A	3,501	\$ 63,987	6,735	\$ 108,393	1,995	\$ 30,260	3,131	\$ 40,424
Class B	13	229	27	419	7	92	18	206
Class C	35	625	54	855	11	153	26	319
Class Y	6	111	597	9,430	44	696	69	947
Shares issued in reinvestment of distributions to shareholders:								
Class A	2,303	41,095	565	8,816	—	—	—	—
Class B	21	374	2	32	—	—	—	—
Class C	31	547	4	62	—	—	—	—
Class Y	6	111	10	160	—	—	—	—
Shares redeemed:								
Class A	(8,520)	(155,979)	(14,342)	(233,126)	(2,101)	(31,612)	(4,430)	(56,538)
Class B	(62)	(1,113)	(221)	(3,463)	(22)	(298)	(91)	(1,057)
Class C	(81)	(1,451)	(173)	(2,745)	(32)	(449)	(88)	(1,047)
Class Y	(14)	(253)	(611)	(10,594)	(20)	(307)	(111)	(1,537)
Net decrease	(2,761)	\$ (51,717)	(7,353)	\$(121,761)	(118)	\$ (1,465)	(1,476)	\$(18,283)
	International Growth Fund				New Concepts Fund			
	Six months ended 12-31-13		Year ended 6-30-13		Six months ended 12-31-13		Year ended 6-30-13	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Shares issued from sale of shares:								
Class A	3,806	\$ 43,521	6,748	\$ 70,328	11,510	\$ 137,388	19,649	\$ 202,459
Class B	7	70	23	213	45	422	156	1,277
Class C	10	108	29	282	126	1,217	183	1,558
Class Y	270	3,128	576	5,966	612	7,962	2,272	25,414
Shares issued in reinvestment of distributions to shareholders:								
Class A	658	7,642	71	728	14,278	159,058	5,585	54,229
Class B	—*	—*	—*	—*	152	1,299	75	584
Class C	1	6	—	—	162	1,426	63	503
Class Y	99	1,152	39	396	633	7,690	236	2,474
Shares redeemed:								
Class A	(4,499)	(51,502)	(8,437)	(86,427)	(14,527)	(173,731)	(27,584)	(283,832)
Class B	(29)	(301)	(89)	(830)	(233)	(2,172)	(645)	(5,259)
Class C	(17)	(182)	(76)	(743)	(170)	(1,643)	(307)	(2,595)
Class Y	(276)	(3,149)	(814)	(8,291)	(1,309)	(17,290)	(1,211)	(13,382)
Net increase (decrease)	30	\$ 493	(1,930)	\$(18,378)	11,279	\$ 121,626	(1,528)	\$ (16,570)

* Not shown due to rounding.

	Science and Technology Fund				Small Cap Fund			
	Six months ended 12-31-13		Year ended 6-30-13		Six months ended 12-31-13		Year ended 6-30-13	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Shares issued from sale of shares:								
Class A	17,498	\$ 265,694	26,615	\$ 317,005	4,408	\$ 81,225	7,014	\$ 108,654
Class B	105	1,237	239	2,211	22	332	65	839
Class C	325	3,875	333	3,193	49	767	70	950
Class Y	1,279	20,822	2,021	26,361	127	2,543	538	8,928
Shares issued in reinvestment of distributions to shareholders:								
Class A	17,575	267,145	4,044	44,358	6,666	110,805	2,333	32,506
Class B	232	2,694	65	564	125	1,675	55	645
Class C	185	2,172	38	336	118	1,672	43	523
Class Y	577	9,645	130	1,551	125	2,294	95	1,426
Shares redeemed:								
Class A	(16,036)	(244,238)	(34,278)	(398,796)	(5,566)	(103,445)	(9,992)	(153,988)
Class B	(319)	(3,784)	(914)	(8,384)	(122)	(1,855)	(364)	(4,697)
Class C	(225)	(2,711)	(394)	(3,632)	(75)	(1,191)	(182)	(2,463)
Class Y	(873)	(14,486)	(2,310)	(29,902)	(1,127)	(22,903)	(394)	(6,630)
Net increase (decrease)	20,323	\$ 308,065	(4,411)	\$ (45,135)	4,750	\$ 71,919	(719)	\$ (13,307)

	Tax-Managed Equity Fund				Value Fund			
	Six months ended 12-31-13		Year ended 6-30-13		Six months ended 12-31-13		Year ended 6-30-13	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Shares issued from sale of shares:								
Class A	1,733	\$ 28,153	3,108	\$ 43,811	9,014	\$143,298	13,214	\$ 183,231
Class B	2	25	4	47	14	219	46	606
Class C	29	417	35	455	47	715	72	960
Class Y	N/A	N/A	N/A	N/A	56	892	435	5,681
Shares issued in reinvestment of distributions to shareholders:								
Class A	1,378	22,064	452	5,999	2,543	39,848	450	5,735
Class B	4	64	2	20	17	248	—*	7
Class C	25	348	7	83	22	336	1	16
Class Y	N/A	N/A	N/A	N/A	35	549	9	115
Shares redeemed:								
Class A	(1,836)	(29,919)	(3,121)	(44,198)	(5,900)	(93,864)	(10,714)	(146,256)
Class B	(6)	(88)	(21)	(257)	(65)	(983)	(248)	(3,180)
Class C	(26)	(382)	(43)	(544)	(58)	(899)	(135)	(1,712)
Class Y	N/A	N/A	N/A	N/A	(55)	(879)	(132)	(1,857)
Net increase	1,303	\$ 20,682	423	\$ 5,416	5,670	\$ 89,480	2,998	\$ 43,346

* Not shown due to rounding.

	Vanguard Fund			
	Six months ended 12-31-13		Year ended 6-30-13	
	Shares	Value	Shares	Value
Shares issued from sale of shares:				
Class A	6,440	\$ 66,783	19,241	\$ 175,261
Class B	26	216	106	800
Class C	30	261	124	949
Class Y	340	3,704	2,549	24,698
Shares issued in reinvestment of distributions to shareholders:				
Class A	21,197	202,014	6,521	56,340
Class B	173	1,305	55	394
Class C	150	1,154	42	302
Class Y	1,212	12,141	334	3,004
Shares redeemed:				
Class A	(22,375)	(233,108)	(35,299)	(325,426)
Class B	(157)	(1,315)	(475)	(3,598)
Class C	(124)	(1,073)	(218)	(1,670)
Class Y	(1,435)	(15,883)	(3,852)	(36,384)
Net increase (decrease)	5,477	\$ 36,199	(10,872)	\$(105,330)

* Not shown due to rounding.

11. COMMITMENTS

Bridge loan commitments may obligate a Fund to furnish temporary financing to a borrower until permanent financing can be arranged. In connection with these commitments, the Fund earns a commitment fee, typically set as a percentage of the commitment amount. Such fee income is included in interest income on the Statements of Operations. At December 31, 2013, there were no outstanding bridge loan commitments.

12. FEDERAL INCOME TAX MATTERS (\$ amounts in thousands)

For Federal income tax purposes, cost of investments owned at December 31, 2013 and the related unrealized appreciation (depreciation) were as follows:

Fund	Cost of Investments	Gross Appreciation	Gross Depreciation	Net Unrealized Appreciation
Accumulative Fund	\$ 940,335	\$ 366,118	\$10,746	\$ 355,372
Asset Strategy Fund	2,666,547	1,025,327	45,957	979,370
Continental Income Fund	891,972	270,994	1,904	269,090
Core Investment Fund	2,993,637	1,184,873	8,800	1,176,073
Dividend Opportunities Fund	476,116	236,855	924	235,931
Energy Fund	162,083	88,143	2,249	85,894
International Growth Fund	457,405	155,141	13,557	141,584
New Concepts Fund	1,251,124	588,390	27,628	560,762
Science and Technology Fund	2,140,441	1,675,854	40,659	1,635,195
Small Cap Fund	580,518	337,804	3,362	334,442
Tax-Managed Equity Fund	184,779	101,238	1,522	99,716
Value Fund	602,871	222,032	2,069	219,963
Vanguard Fund	954,493	536,769	4,247	532,522

For Federal income tax purposes, the Funds' distributed and undistributed earnings and profit for the year ended June 30, 2013 and the post-October and late-year ordinary activity were as follows:

Fund	Distributed Ordinary Income	Undistributed Ordinary Income	Distributed Long-Term Capital Gains	Undistributed Long-Term Capital Gains	Tax Return of Capital	Post-October Capital Losses Deferred	Late-Year Ordinary Losses Deferred
Accumulative Fund	\$ 5,962	\$ 1,761	\$ —	\$ —	\$ —	\$ —	\$ —
Asset Strategy Fund	65,542	5,344	—	—	—	—	—
Continental Income Fund	8,337	884	30,140	45,047	—	—	—
Core Investment Fund	27,469	70,875	171,762	265,781	—	—	—
Dividend Opportunities Fund	9,200	1,211	—	—	—	533	—
Energy Fund	—	—	—	—	—	—	670
International Growth Fund	1,141	6,118	—	—	—	1,465	—
New Concepts Fund	—	—	58,452	104,745	—	—	6,271
Science and Technology Fund	—	—	48,932	251,716	—	—	8,124

Fund	Distributed Ordinary Income	Undistributed Ordinary Income	Distributed Long-Term Capital Gains	Undistributed Long-Term Capital Gains	Tax Return of Capital	Post-October Capital Losses Deferred	Late-Year Ordinary Losses Deferred
Small Cap Fund	\$ —	\$ —	\$35,434	\$ 62,432	\$ —	\$ —	\$2,187
Tax-Managed Equity Fund	777	2,277	5,567	11,214	—	—	4
Value Fund	5,927	1,136	—	17,263	—	—	—
Vanguard Fund	2,226	—	58,882	127,561	—	—	406

Internal Revenue Code regulations permit each Fund to elect to defer into its next fiscal year capital losses incurred between each November 1 and the end of its fiscal year. Each Fund is also permitted to defer into its next fiscal year late-year ordinary losses that arise from the netting of activity generated between each November 1 and the end of its fiscal year on certain specified ordinary items.

Accumulated capital losses represent net capital loss carryovers as of June 30, 2013 that may be available to offset future realized capital gains and thereby reduce future capital gains distributions. Under the Regulated Investment Company Modernization Act of 2010 (the “Modernization Act”), a Fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. Any losses incurred during those future taxable years will be required to be utilized prior to any losses incurred in pre-enactment taxable years which have only an eight year carryforward period. As a result of this ordering rule, pre-enactment capital loss carryovers may expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under the previous law. The Fund’s first fiscal year end subject to the Modernization Act is June 30, 2012. The following table shows the expiration dates for capital loss carryovers from pre-enactment taxable years and the amounts of capital loss carryovers, if any, by each of the applicable Funds electing to be taxed as a RIC during the year ended June 30, 2013:

Fund	Pre-Enactment						Post-Enactment	
	2014	2015	2016	2017	2018	2019	Short-Term Capital Loss Carryover	Long-Term Capital Loss Carryover
Accumulative Fund	\$ —	\$ —	\$ —	\$ —	\$74,773	\$ —	\$ —	\$ —
Asset Strategy Fund	—	—	—	—	51,683	—	—	—
Continental Income Fund	—	—	32,107	—	—	—	—	—
Core Investment Fund	—	—	—	—	—	—	—	—
Dividend Opportunities Fund	—	—	—	—	22,379	—	—	—
Energy Fund	—	—	—	9,079	17,511	10,078	395	—
International Growth Fund	—	—	—	—	36,761	—	—	—
New Concepts Fund	—	—	—	—	—	—	—	—
Science and Technology Fund	—	—	—	—	—	—	—	—
Small Cap Fund	—	—	—	—	—	—	—	—
Tax-Managed Equity Fund	—	—	—	—	—	—	—	—
Value Fund	—	—	—	—	—	—	—	—
Vanguard Fund	—	—	—	—	—	—	—	—

Retirement Shares was merged into Continental Income Fund as of June 29, 2009. At the time of the merger, Retirement Shares had capital loss carryovers available to offset future gains of Continental Income Fund. These carryovers are limited to \$10,702 for each period ending from June 30, 2014 through 2016 plus any unused limitations from prior years.

13. REGULATORY AND LITIGATION MATTERS

On July 24, 2006, WRIMCO, W&R and WRSCO (collectively, Waddell & Reed) reached a settlement with the SEC to resolve proceedings brought in connection with its investigation of frequent trading and market timing in certain Waddell & Reed Advisors Funds.

Under the terms of the SEC’s cease-and desist order (SEC Order), pursuant to which Waddell & Reed neither admitted nor denied any of the findings contained therein, among other provisions Waddell & Reed agreed to pay \$40 million in disgorgement and \$10 million in civil money penalties.

The SEC Order further requires that the \$50 million in settlement amounts will be distributed in accordance with a distribution plan developed by an independent distribution consultant, in consultation with Waddell & Reed, and that is agreed to by the SEC staff and the Funds’ Disinterested Trustees. The SEC Order requires that the independent distribution consultant develop a methodology and distribution plan pursuant to which Fund shareholders shall receive their proportionate share of losses, if any, suffered by the Funds due to market timing. Therefore, it is not currently possible to specify which particular Fund shareholders or groups of Fund shareholders will receive distributions of those settlement monies or in what proportion and amounts.

The foregoing is only a summary of the SEC Order. A copy of the SEC Order is available on the SEC’s website at www.sec.gov.

RENEWAL OF INVESTMENT MANAGEMENT AGREEMENT

Waddell & Reed Advisors Funds

At its meeting on August 13 and 14, 2013, the Trust's Board of Trustees, including all of the Disinterested Trustees, considered and approved the continuance of the existing Investment Management Agreement ("Management Agreement") between WRIMCO and the Trust with respect to each of Waddell & Reed Advisors Accumulative Fund, Waddell & Reed Advisors Asset Strategy Fund, Waddell & Reed Advisors Continental Income Fund, Waddell & Reed Advisors Core Investment Fund, Waddell & Reed Advisors Dividend Opportunities Fund, Waddell & Reed Advisors Energy Fund, Waddell & Reed Advisors International Growth Fund, Waddell & Reed Advisors New Concepts Fund, Waddell & Reed Advisors Science and Technology Fund, Waddell & Reed Advisors Small Cap Fund, Waddell & Reed Advisors Tax-Managed Equity Fund, Waddell & Reed Advisors Value Fund and Waddell & Reed Advisors Vanguard Fund. The Disinterested Trustees were assisted in their review by independent legal counsel and met with such counsel separately from representatives of WRIMCO. The Disinterested Trustees also received and considered a memorandum from their independent legal counsel regarding the Disinterested Trustees' responsibilities in evaluating the Management Agreement for each Fund. This memorandum explained the regulatory requirements pertaining to the Disinterested Trustees' evaluation of the Management Agreement. In addition, the Disinterested Trustees engaged an independent fee consultant whose responsibilities included managing the process by which the proposed management fees under the Management Agreement were negotiated with WRIMCO.

Prior to the Board meeting, independent legal counsel sent to WRIMCO a request letter for information to be provided to the Trustees in connection with their consideration of the continuance of the Management Agreement with respect to each Fund. WRIMCO provided materials to the Trustees that included responses to the request letter and other information WRIMCO believed was useful in evaluating the continuation of the Management Agreement ("Initial Response"). Thereafter, independent legal counsel sent to WRIMCO a supplemental request letter for certain additional information, and WRIMCO provided additional information in response to this request letter. The Trustees also received reports prepared by an independent third party, Lipper Inc. ("Lipper"), relating to each Fund's performance and expenses compared to the performance of the universe of comparable mutual funds selected by Lipper (the "Performance Universe") and to the expenses of a peer group of comparable mutual funds selected by Lipper (the "Peer Group"), respectively. Further, the Trustees received a written evaluation from the independent fee consultant, a summary of which is included in this Semiannual Report. At their meeting, the Trustees received a presentation from representatives of WRIMCO regarding services provided by it and its affiliates (collectively, "W&R") to each Fund. In addition, during the course of the year, W&R had provided information relevant to the Trustees' consideration of the continuance of the Management Agreement with respect to each Fund.

Nature, Extent and Quality of Services Provided to the Funds

The Trustees considered the nature, extent and quality of the services provided to each Fund pursuant to the Management Agreement.

The Trustees considered WRIMCO's research and portfolio management capabilities and that W&R also provides oversight of day-to-day fund operations, including but not limited to fund accounting and administration and assistance in meeting legal and regulatory requirements. The Trustees also considered WRIMCO's practices regarding the selection and compensation of brokers and dealers that execute portfolio transactions for each Fund and, as applicable, those brokers' and dealers' provision of brokerage and research services to WRIMCO, and the benefits derived by the other funds in the Advisors Fund Complex and by other clients of WRIMCO from such services. The Trustees considered the information provided by WRIMCO regarding its compliance program and compliance matters, if any, over the past year. The Trustees also considered the favorable history, reputation, qualification and background of WRIMCO and W&R's extensive administrative, accounting and compliance infrastructure.

Fund Performance, Management Fee and Expense Ratio.

The Trustees considered each Fund's performance, both on an absolute basis and in relation to the performance of its Performance Universe. Each Fund's performance was also compared to relevant market indices and to a Lipper index, as applicable.

The Trustees considered the management fees and total expenses of each Fund and also considered each Fund's management fees and total expenses in relation to the management fees and total expenses, respectively, of its Peer Group. The Trustees' review also included consideration of each Fund's management fees at various asset levels in relation to the management fees at those asset levels of funds within a peer group of comparable mutual funds selected by and as shown in the reports from Lipper ("Lipper Group"). They also considered each Fund's non-management fees in relation to the non-management fees of its Peer Group, the amount of assets in each Fund, each Fund's average account size and how those factors affect the Funds' expense ratios. In addition, the Trustees considered, for each Fund, the management fees, if any, paid to WRIMCO (or its affiliate) by other mutual funds managed by WRIMCO (or its affiliate) with a similar investment objective (or objectives) and similar investment policies and strategies as the Fund ("Similar Funds"). The Trustees also considered the subadvisory fees, if any, paid to WRIMCO (or its affiliate) by other mutual funds advised by WRIMCO (or its affiliate), as well as the management fees, if any, paid by other client accounts managed by WRIMCO (or its affiliate), with a similar investment objective (or objectives) and similar investment policies and strategies as the Fund (each of such accounts, an "Other Account").

Additional Considerations with Respect to Each Fund

Waddell & Reed Advisors Accumulative Fund

The Trustees considered that Waddell & Reed Advisors Accumulative Fund's total return performance was lower than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods. They also considered the information provided by WRIMCO in its Initial Response explaining that, among other factors, stock selection had adversely affected the Fund's performance over the three-year period. They further considered the year-to-date performance information through June 13, 2013, provided by WRIMCO in its Initial Response.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee was lower than the Peer Group median and that the Fund's overall expense ratio was equal to the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted

for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that there are no Other Accounts or Similar Funds managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Fund.

Waddell & Reed Advisors Asset Strategy Fund

The Trustees considered that Waddell & Reed Advisors Asset Strategy Fund's total return performance was higher than the Performance Universe median for the one-, three-, seven-, and ten-year periods and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee was lower than the Peer Group median and that the Fund's overall expense ratio was higher than the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that one Similar Fund's advisory fee was higher for one asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Fund's management fee. The Trustees recognized that, among other factors, differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Fund.

Waddell & Reed Advisors Continental Income Fund

The Trustees considered that Waddell & Reed Advisors Continental Income Fund's total return performance was higher than the Performance Universe median and the Lipper index for the three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee and overall expense ratio were higher than the Peer Group median. They considered that the Fund's non-management fee expenses were lower than the Peer Group median on an unadjusted basis and when adjusted for the Fund's smaller average account size. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at certain asset levels were higher than, and at other asset levels were lower than or equal to, the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that the Similar Funds' advisory fee was higher for one asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Fund's management fee. The Trustees recognized that, among other factors, differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Fund.

Waddell & Reed Advisors Core Investment Fund

The Trustees considered that Waddell & Reed Advisors Core Investment Fund's total return performance was higher than the Performance Universe median and the Lipper index for the three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee and overall expense ratio were higher than the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that the Similar Funds' advisory fees were higher for certain asset levels, and that the Other Accounts had average advisory fees that were lower than the management fee of the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Fund's management fee. The Trustees recognized that, among other factors, differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Fund.

Waddell & Reed Advisors Dividend Opportunities Fund

The Trustees considered that Waddell & Reed Advisors Dividend Opportunities Fund's total return performance was lower than the Performance Universe median and the Lipper index for the one-, three-, five-, and seven-year periods for which information was provided, since the Fund did not have a ten-year performance record as of March 31, 2013. They also considered the information provided by WRIMCO in its Initial Response explaining that, among other factors, stock selection, its overweighting in the energy, industrial, and materials sectors, its cash position and its strategy of investing in stocks with the potential for dividend growth rather than the highest yields had adversely affected the Fund's performance over the three-year period. They further considered the year-to-date performance information through June 13, 2013, provided by WRIMCO in its Initial Response. In addition, the Trustees considered the change in the Fund's portfolio manager in 2013.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee and overall expense ratio were higher than the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Fund's management fee.

Waddell & Reed Advisors Energy Fund

The Trustees considered that Waddell & Reed Advisors Energy Fund's total return performance was higher than the Performance Universe median and the Lipper index for the five- and seven-year periods for which information was provided, since the Fund did not have a ten-year performance record as of March 31, 2013. They also considered the information provided by WRIMCO in its Initial Response explaining that, among other factors, stock selection and its underweighting in the energy sector had adversely affected the Fund's performance over the three-year period. They further considered the year-to-date performance information through June 13, 2013, provided by WRIMCO in its Initial Response and noted that, despite the Fund's underperformance for the three-year period ended March 31, 2013, the Fund's performance relative to its Performance Universe was good for the five- and seven-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee and overall expense ratio were higher than the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Fund's management fee.

Waddell & Reed Advisors International Growth Fund

The Trustees considered that Waddell & Reed Advisors International Growth Fund's total return performance was higher than the Performance Universe and the Lipper index for the three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee and expense ratio were lower than the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at certain asset levels were lower than the median for its Lipper Group, except for an asset level at which the Fund's effective management fees were higher.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that one Similar Fund's advisory fee was higher for one asset level and was lower for another asset level, and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Fund's management fee.

Waddell & Reed Advisors New Concepts Fund

The Trustees considered that Waddell & Reed Advisors New Concepts Fund's total return performance was higher than the Performance Universe median and the Lipper index for the three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee was equal to the Peer Group median and that the Fund's overall expense ratio was higher than the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at certain asset levels were higher than, and at other asset levels were lower than or equal to, the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that one Similar Fund's advisory fee was higher for one asset level, and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Fund's management fee.

Waddell & Reed Advisors Science and Technology Fund

The Trustees considered that Waddell & Reed Advisors Science and Technology Fund's total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee was higher than the Peer Group median but that the Fund's overall expense ratio was lower than the Peer Group median. They considered that the Fund's non-management fee expenses were lower than the Peer Group median on an unadjusted basis and when adjusted for the Fund's smaller average account size. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at certain asset levels were higher than, and at other asset levels were lower than or equal to, the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that one Similar Fund's advisory fee was higher for one asset level, and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds to evaluate the appropriateness and reasonableness of the Fund's management fee.

Waddell & Reed Advisors Small Cap Fund

The Trustees considered that Waddell & Reed Advisors Small Cap Fund's total return performance was higher than the Performance Universe median and the Lipper index for the one-, three-, five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee and overall expense ratio were higher than the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that one Similar Fund's advisory fee was higher for one asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Fund's management fee. The Trustees recognized that, among other factors, differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Fund.

Waddell & Reed Advisors Tax-Managed Equity Fund

The Trustees considered that Waddell & Reed Advisors Tax-Managed Equity Fund's total return performance was higher than the Performance Universe median and the Lipper index for the one-, five-, seven-, and ten-year periods. They also considered the information provided by WRIMCO in its Initial Response explaining that, among other factors, the Fund's stock selection in the health care, financial, consumer discretionary, and materials sectors had adversely affected the Fund's performance over the three-year period. They further considered the year-to-date performance information through June 13, 2013, provided by WRIMCO in its Initial Response and noted that, despite the Fund's underperformance for the three-year period ended March 31, 2013, the Fund's performance relative to its Performance Universe appeared to be improving and was good for the five-, seven-, and ten-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee and overall expense ratio were lower than the Peer Group median. They considered that the Fund's non-management fee expenses were lower than the Peer Group median both on an unadjusted basis and when adjusted for the Fund's smaller average account size. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that a Similar Fund had an advisory fee schedule that was the same as the Fund's advisory fee schedule and that there were no Other Accounts managed by WRIMCO or its affiliates with a similar investment objective and similar investment policies and strategies as the Fund. The Trustees considered the relevance of the fee information provided for the Similar Fund to evaluate the appropriateness and reasonableness of the Fund's management fee.

Waddell & Reed Advisors Value Fund

The Trustees considered that Waddell & Reed Advisors Value Fund's total return performance was higher than the Performance Universe median for the one-, five-, and seven-year periods, and higher than the Lipper index for the one-, five-, seven-, and ten-year periods. They also considered the information provided by WRIMCO in its Initial Response explaining that, among other factors, the Fund's stock selection in the technology sector had adversely affected the Fund's performance over the three-year period. They further considered the year-to-date performance information through June 13, 2013, provided by WRIMCO in its Initial Response and noted that, despite the Fund's underperformance for the three-year period ended March 31, 2013, the Fund's performance relative to its Performance Universe appeared to be improving and was good for the five- and seven-year periods.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee was lower than the Peer Group median and that the Fund's overall expense ratio was higher than the Peer Group median. They

considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that one Similar Fund's advisory fee was higher for one asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Fund's management fee. The Trustees recognized that, among other factors, differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Fund.

Waddell & Reed Advisors Vanguard Fund

The Trustees considered that Waddell & Reed Advisors Vanguard Fund's total return performance was lower than the Performance Universe median for the one-, three-, five-, and seven-year periods and the Lipper index for the one-, three-, and five-year periods. They also considered the information provided by WRIMCO in its Initial Response explaining that, among other factors, the Fund's investments in higher-quality stocks, its stock selection in the health care and financial sectors, and its overweighting in the technology sector had adversely affected the Fund's performance over the three-year period. They further considered the year-to-date performance information through June 13, 2013, provided by WRIMCO in its Initial Response and noted that, despite the Fund's underperformance for the one-year and longer periods ended March 31, 2013, the Fund's performance relative to its Performance Universe was good for the ten-year period.

The Trustees considered the range and average of the management fees and expense ratios of the Peer Group. They considered that the Fund's management fee was lower than the Peer Group median and that the Fund's overall expense ratio was higher than the Peer Group median. They considered that the Fund's non-management fee expenses were higher than the Peer Group median on an unadjusted basis but that, when adjusted for the Fund's smaller average account size, the non-management fee expenses were lower than the Peer Group median. They also considered that, with the breakpoints in the fee schedule, the Fund's effective management fees at various asset levels were lower than the median for its Lipper Group.

The Trustees also considered that the Similar Funds had advisory fee schedules that were the same as the Fund's advisory fee schedule, except that one Similar Fund's advisory fee was higher for one asset level, and that the Other Accounts had average advisory fees that were lower than the management fee of the Fund. The Trustees considered the relevance of the fee information provided for the Similar Funds and Other Accounts to evaluate the appropriateness and reasonableness of the Fund's management fee. The Trustees recognized that, among other factors, differences in fees paid by the Other Accounts were consistent with the additional management and other services provided by WRIMCO to the Fund.

Profitability and Economies of Scale

The Trustees also considered that the management fee structure of each Fund includes breakpoints that provide for a reduction of payments to reflect anticipated economies of scale. The Trustees also considered the management fee rate reductions that became effective October 1, 2006, and remain in effect for Waddell & Reed Advisors Accumulative Fund, Waddell & Reed Advisors Asset Strategy Fund, Waddell & Reed Advisors Core Investment Fund, Waddell & Reed Advisors International Growth Fund, Waddell & Reed Advisors New Concepts Fund, Waddell & Reed Advisors Science and Technology Fund, Waddell & Reed Advisors Small Cap Fund, Waddell & Reed Advisors Value Fund, Waddell & Reed Advisors Vanguard Fund and certain other funds in the Advisors Fund Complex, and the anticipated impact of the fee rate reduction for each of these Funds on its investment management fees and overall expense ratio. In concluding that the benefits accruing to WRIMCO and its affiliates by virtue of their relationship to each Fund were reasonable in comparison with the costs of providing the investment management services and the benefits accruing to the Fund, the Trustees considered specific data as to WRIMCO's profit with respect to the Fund for a recent period. The Trustees also considered WRIMCO's methodology for determining this data. In addition, the Trustees considered the soft dollar arrangements with respect to Fund portfolio transactions.

In determining whether to approve the proposed continuance of the Management Agreement as to a Fund, the Trustees considered the best interests of the Fund, the reasonableness of the management fee paid to WRIMCO under the Management Agreement, and the overall fairness of the Management Agreement. The Trustees considered the following factors to be of primary importance to their approval of the continuance of the Management Agreement as to a Fund, without any one factor being dispositive:

- the performance of the Fund compared with the performance of its Performance Universe and with relevant indices;
- the Fund's investment management fees and total expenses compared with the management fees and total expenses of its Peer Group;
- the existence or appropriateness of breakpoints in the Fund's management fees;
- the Fund's investment management fees compared with the management fees of Similar Funds or Other Accounts managed by WRIMCO (or its affiliate), as applicable;
- the cost/profitability to WRIMCO and any actual or anticipated economies of scale in relation to the services it provides to the Fund;
- the other benefits that accrue to WRIMCO as a result of its relationship with the Fund; and
- the favorable history, reputation, qualification and background of WRIMCO as well as the qualifications of its personnel.

Based on the discussions, considerations and information described generally above, including the evaluation provided by the independent fee consultant, the Board determined that each Fund's Management Agreement is fair and reasonable and that continuance of the Management

Agreement is in the best interests of the Fund. In reaching these determinations as to each Fund, the Board concluded that: the nature, extent and quality of the services provided by WRIMCO for the Fund are adequate and appropriate; except as described above, the performance of the Fund was satisfactory; it retained confidence in WRIMCO's overall ability to manage the Fund; and the management fee paid to WRIMCO is reasonable in light of comparative management fee information, the breakpoints in the management fee for the Fund, the services provided by WRIMCO, the costs of the services provided, and the profits realized and other benefits likely to be derived by WRIMCO from its relationship with the Fund. In the case of certain Funds that underperformed their respective Performance Universe medians and Lipper indices for certain periods of time, based on the assessment and information WRIMCO provided, including as to relevant market conditions and/or remedial actions that WRIMCO had taken or planned to take, such response was satisfactory to the Board.

Summary of Independent Fee Consultant Report

The Disinterested Trustees of Waddell & Reed Advisors Funds ("Advisors Funds"), Ivy Funds Variable Insurance Portfolios ("Ivy Funds VIP") and InvestEd Portfolios ("Invested") (collectively, and including their respective series, the "Funds") appointed an Independent Fee Consultant ("IFC") to manage the process by which proposed management fees paid by the Funds to Waddell & Reed Investment Management Company ("WRIMCO") are negotiated. The IFC does not replace the Trustees in negotiating management fees and does not substitute his or her judgment for that of the Trustees about the reasonableness of the proposed fees.

The following is a summary of the Report's discussion of the process and materials used by the Disinterested Trustees in connection with the renewal of each Fund's investment management agreement with WRIMCO, related materials and the IFC's findings.

Analysis of the Process

The Report stated that the contract renewal process includes a number of sequential steps by which the Disinterested Trustees go about determining the reasonableness of the proposed management fees for the Funds in the context of their annual consideration of the proposed continuance of the Funds' respective investment management agreements with WRIMCO and the sub-advisory agreements with certain sub-advisors. The Report stated that the IFC participated throughout the contract renewal process.

Analysis of Materials

The Disinterested Trustees received and considered informational materials that were prepared by WRIMCO, Waddell & Reed, Inc. and Waddell & Reed Services Company ("WRSCO") (collectively, "Waddell") in response to the data requested by the Disinterested Trustees through each Fund's Governance & Compliance Committee and K&L Gates, counsel to the Funds and the Disinterested Trustees, and other materials prepared by The Lipper Company ("Lipper") in connection with the contract renewal process. The IFC used these materials and other information received by the Disinterested Trustees throughout the year to analyze trends and comparative information about the six factors discussed below.

(1) Nature and Quality of Services

The Report stated that the IFC's experience is that fund trustees should focus on longer-term performance during the contract renewal process (though they may choose to focus on shorter-term performance for other purposes). Accordingly, the Report concentrated on the Lipper 3-year performance data.

The Report stated that, overall, the Funds reflect strong comparative performance in the 5-, 7- and 10-year periods ended March 31, 2012. The 5- and 7-year performance has over 80% of the Funds in the first two quartiles of their performance universes. The Report noted that 1- and 3-year performance did not share the same returns with about 50% and 30% of Funds in the first two quartiles consecutively. Lower 3-year rankings reflect the rolling off of a better 1-year performance period ended March 31, 2009 and the inclusion of the relatively lower performance of the 1-year period ended March 2012.

(2) Management Fees

The Report noted that the IFC reviewed how actual management fees for each of the Funds have changed in ranking from 2011 to 2012. With respect to the Funds within Advisors Funds, the Report stated that, in aggregate, 54% of these Funds have management fees above their peer group median, a slight improvement over the 2011 median of 55%. The change in actual management fees, by Fund, range from an 8.2 basis point reduction to a .3 basis point increase. With respect to the Funds within Ivy Funds VIP, the Report stated that, in aggregate, 59% of these Funds (excluding the Pathfinder Portfolios) have management fees above their peer group median and noted that the average percentile ranking of 59% was unchanged from last year. With respect to the Funds within InvestEd, the Report noted that the percentile ranking was the highest possible because there are no management fees charged to these Funds.

The Report noted that, with the exception of Advisors High Income, Value, Global Bond and Asset Strategy Funds, all of the Advisors Funds, Ivy Funds VIP and InvestEd Portfolios either held 2012 total expense ratios equal to those for 2011 or realized a reduction in total expense ratios between 2011 and 2012. Material decreases were recognized in the InvestEd Portfolios as there was a substantial amount invested in Advisors Cash Management, which has a low expense ratio compared to other Funds within Advisors Funds.

The Report also noted that certain Funds have higher total expense ratios than their peer groups and that this is often caused by non-management fees. The Report commented that Waddell's business model tends to result in higher non-management expenses. This business model targets the small- to mid-level investor population, an approach that has resulted in many smaller accounts relative to the general mutual fund industry.

(3) Possible Economies of Scale

The IFC Report noted that all Funds except the money market Funds already have breakpoints in place that appear adequate in providing economies of scale.

(4) Management Fees for Other Clients

The Report noted that Advisors Funds and Ivy Funds VIP have Funds with similar investment strategies and, in general, these corresponding Funds have comparable contractual management fee rates. The Report stated that actual management fee variances can be explained by the larger average asset size of particular Funds within Advisors Funds, causing some of these Funds to reach breakpoints and reductions in management fees, or the fact that certain Funds have fee waivers. The Report further noted that the Funds within Advisors Funds or Ivy Funds VIP that correspond to funds within Ivy Funds having similar investment strategies also have comparable contractual management fees considering comparable asset levels and breakpoints are taken into account.

The Report noted that WRIMCO manages money for different types of clients besides mutual funds. These include sub-advisory relationships, corporate and municipal pension funds and investment pools for wealthy individuals (collectively, “separate accounts”). Several of these separate accounts are managed with the same investment objective and in the same style as some of the Funds within Advisors Funds and Ivy Funds VIP. In most cases, the data provided by WRIMCO show that management fee rates for the Funds are higher than that of the equivalent separate accounts. WRIMCO has explained these differences by reference to, among other factors, the different type of responsibilities borne by WRIMCO as a mutual fund manager and as a separate account manager. The IFC found these differences reasonable.

(5) and (6) WRIMCO Costs and Profitability

The Report noted that the disinterested trustees of mutual funds generally are required to consider the cost and profitability of the fund’s advisory contract to the adviser. WRIMCO provided an analysis of its profitability for each Fund. The IFC did not find the profit margins excessive.

The Report also noted that disinterested trustees often review the overall profitability of their funds and investment advisers. Lipper provided benchmarks against which to evaluate the overall profitability of Waddell’s parent company and other public companies in the investment business. The Report found that this analysis places Waddell’s parent company near the median of its Lipper peers.

The Report concluded that the IFC monitored the contract renewal process, reviewed the materials, and reached the following conclusions: (1) The contract renewal process conducted under the supervision of the Disinterested Trustees has been careful, deliberate, and conscientious; (2) the materials were prepared without bias and in sufficient detail to facilitate meaningful decisions by the Disinterested Trustees and the Boards; and (3) the discussion which took place leading up to and at the Disinterested Trustees and Board meetings were substantive and concluded in accordance with the best interests of the Funds and their shareholders.

PROXY VOTING INFORMATION

Waddell & Reed Advisors Funds

Proxy Voting Guidelines

A description of the policies and procedures Waddell & Reed Advisors Funds uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 800.777.6472 and (ii) on the Securities and Exchange Commission's (SEC) website at www.sec.gov.

Proxy Voting Records

Information regarding how each Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on Form N-PX through Waddell & Reed's website at www.waddell.com and on the SEC's website at www.sec.gov.

QUARTERLY PORTFOLIO SCHEDULE INFORMATION

Waddell & Reed Advisors Funds

Portfolio holdings can be found on the Trust's website at www.waddell.com. Alternatively, a complete schedule of portfolio holdings of each Fund for the first and third quarters of each fiscal year is filed with the SEC and can be found on the Trust's Form N-Q. These holdings may be viewed in the following ways:

- On the SEC's website at www.sec.gov.
- For review and copy at the SEC's Public Reference Room in Washington, DC. Information on the operations of the Public Reference Room may be obtained by calling 1.800.SEC.0330.

TO ALL TRADITIONAL IRA PLANHOLDERS:

Waddell & Reed Advisors Funds

As required by law, we are hereby providing notice to you that income tax may be withheld automatically from any distribution or withdrawal from a traditional IRA. A Fund is generally required to withhold taxes unless you make a written election not to have taxes withheld. The election may be made on the distribution/withdrawal form provided by Waddell & Reed, Inc. which can be obtained from your Waddell & Reed representative or by submitting Internal Revenue Service Form W-4P. Once made, an election can be revoked by providing written notice to Waddell & Reed, Inc. If you elect not to have tax withheld you may be required to make payments of estimated tax. Penalties may be imposed by the IRS if withholding and estimated tax payments are not adequate.

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The Waddell & Reed Advisors Funds Family

Global/International Funds

Waddell & Reed Advisors International Growth Fund

Domestic Equity Funds

Waddell & Reed Advisors Accumulative Fund

Waddell & Reed Advisors Core Investment Fund

Waddell & Reed Advisors Dividend Opportunities Fund

Waddell & Reed Advisors New Concepts Fund

Waddell & Reed Advisors Small Cap Fund

Waddell & Reed Advisors Tax-Managed Equity Fund

Waddell & Reed Advisors Value Fund

Waddell & Reed Advisors Vanguard Fund

Fixed Income Funds

Waddell & Reed Advisors Bond Fund

Waddell & Reed Advisors Global Bond Fund

Waddell & Reed Advisors Government Securities Fund

Waddell & Reed Advisors High Income Fund

Waddell & Reed Advisors Municipal Bond Fund

Waddell & Reed Advisors Municipal High Income Fund

Money Market Funds

Waddell & Reed Advisors Cash Management

Specialty Funds

Waddell & Reed Advisors Asset Strategy Fund

Waddell & Reed Advisors Continental Income Fund

Waddell & Reed Advisors Energy Fund

Waddell & Reed Advisors Science and Technology Fund

1.888.WADDELL

Visit us online at www.waddell.com

Investors should consider the investment objectives, risks, charges and expenses of a fund carefully before investing. For a prospectus containing this and other information for the Waddell & Reed Advisors Funds, call your financial advisor or visit us online at www.waddell.com. Please read the prospectus, or summary prospectus, carefully before investing.

SEMIANN-WRA-EQ (12-13)